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Assessing The Enduring Anti-Corruption Agency In the Indonesian Ministry of Finance:
Lessons Learnt About (The Initial Stages) The Investigation Unit
In The Indonesian Ministry Of Finance

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Dedication Page

For ALLAH S.W.T. and Prophet Muhammad S.A.W,

For Rakyat Indonesia,

For my beloved wife Anita Dyah Kristanti,

For my beloved son Muhammad Brotoseno Naryoyuwono,

For my beloved parents Ibu Wiwiek Astutie Wahyuni and Bapak Sunaryo,

For my beloved parents in law Ibu Tutut Amaliyah and Bapak Sasmito Yuwono,

For my beloved brothers Muhammad Yusuf Sunaryo Putra and Muhammad Tri Noor Hidayat,

For my beloved sister in law Oktairena Handini,

For my fellow FETA 1 and SPIRIT 08 colleagues,

Thank you for your support...

Maturnuwun ^_^

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May ALLAH bless us all. Amen.

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List of Acronyms

Bappenas : Badan Perencanaan Pembangunan Nasional or National Development Planning Agency

CSO : Civil Society Organization

DG : Directorate General

FIOD : Fiscale Inclichtingen en Osporings Dienst or The Netherland Fiscal Intelligent and Investigation Body

GDP : Gross Domestic Product

IBI : Inspektorat Bidang Investigasi or Inspectorate of Investigation

ICAC : Hong-Kong Independent Commission Against Corruption

KO : Kapasitas Organisasi or Organization Capacity in MoF

KPK : Komisi Pemberantasan Korupsi or Indonesia Corruption Eradication Commission

KUI : Kemampuan Umum IBI or IBI General Performance

LP2P/DHK : Laporan Pajak-pajak Pribadi / Daftar Harta Kekayaan or Personal Taxes Report / Personal Asset Declaration

MoF : Ministry of Finance of The Republic of Indonesia

NGO : Non-Government Organization

ODA : Overseas Development Administration

PPATK : Pusat Pelaporan dan Analisis Transaksi Keuangan or Financial Transaction Reports and Analysis Center

PPK : Program Penanggulangan Korupsi or Anti-Corruption Initiatives Program

STAN : Sekolah Tinggi Akuntansi Negara or State College of Accounting

TIGTA : Treasury Inspector General for Tax Administration

UPB : Unit Paling Berisiko or The Most Vulnerable Unit in MoF

USA : United States of America

WISE : Whistleblowing System

Abstract

Establishing an anti-corruption agency is one of many efforts to reduce corruption levels. The political-will governments, people pressure, and international actors role are all reasons why anti-corruption agencies are and have been established around the world. Many factors influence the effectiveness of an anti-corruption agency in performing its duties. By assessing one such agency, The IBI in Indonesia's MoF as lesson-learned, this study assesses to what extent an anti-corruption agency can work effectively to reduce corruption. This study analyzes the evolution of IBI explores the overall capacity needed by IBI to perform its duties. The findings of the study show that political-will, organizational settlement, and human resource are the success factor for an anti-corruption agency. However, a strong conclusion cannot be drawn, and further research is needed if only due to the secretive and taboo nature of corruption practices.

Relevance to Development Studies

Corruption is a notoriously complex and intractable issue to analyze. Due to its secretive nature and being surrounded by taboos, this makes it hard for researchers to gain clear evidence and to vividly map the corruption mechanisms. Meanwhile, corruption is one of the major enemies of developing countries that slows the development. Establishment of an anti-corruption agency is one of many efforts to minimize corruption level in several countries. However, there is no clear evidence that shows what make an anti-corruption agency successful. Therefore, this paper tries to investigate how an anti-corruption agency has actually performed by drawing lessons from the experiences of the IBI in MoF as lesson-learned. It is hoped that this paper may contribute to the improvement of anti-corruption agencies in Indonesia.

Keywords

Anti-corruption agency, Corruption, Capacity, Principal-agent, Collective-action

Chapter 1

Introduction

1.1.   Contextual Background

Corruption is still considered as a major impediment for several countries until today. There is consensus that corruption flourishes in developing countries and it is costly to overcome it. Many third world countries trapped in vicious circle of corruption where corruption preserved in their developing condition. Corruption is not only become solely government concern, but also other actors such as international donors, NGO's, CSO's, and even private sectors. One of the most common and highlighted policies to fight corruption is by establishing an anti-corruption agency. Although there are many success stories of anti-corruption agencies such as Hong Kong, Indonesia, Singapore and many others, there are also failure stories.

Indonesia began to apply one strong anti-corruption body in 2002 when KPK (Komisi Pemberantasan Korupsi) was established under Law Number 30 Year 2002. This law gives authority to KPK to conduct the investigation, prosecution, receiving tips from the public, and coordinate all government program regarding anti-corruption. Hence, all ministries and governments bodies are referring to KPK regarding tackling corruption issue. Therefore, many anti-corruption policies are implemented in ministries, government bodies, and local governments across Indonesia.

One ministry with high corruption risk in Indonesia is Ministry of Finance of Indonesia (MoF). There are custom, tax, budget, treasury, and procurement unit under MoF jurisdiction which are vulnerable areas for corruption around the world. To respond this condition, MoF issued various policies to reduce corruption level. From preventive anti-corruption policy such as providing higher salary for the employees until curative anti-corruption such as putting culprits into sanctioned and hand it over to the criminal law authorities.

One of the various anti-corruption policies in MoF is establishing anti-corruption body. As initiation from the minister and international donors suggestion, in 2004 an investigation unit named Inspektorat Bidang Investigasi (IBI) was established under Inspectorate General MoF. Minister Decree Number 462/KMK.09/2004 Gives mandate for IBI to conduct investigation and promote anti-corruption actions within MoF jurisdiction. Hence, MoF equipped with authorities, such as full-access to information and investigate MoF employees, to strengthen IBI in battling corruption.

Like others anti-corruption agencies, IBI also encountered challenges and difficulties. From the external, IBI experienced changing level of support from the MoF top management. Furthermore, support level from IBI's counterpart such as PPATK (Pusat Pelaporan dan Analisis Transaksi Keuangan), KPK, and National Police also fluctuated. Also, overlapping regulation such as data secrecy in tax regulation and audit regulation resulted in investigation is not optimized. From internal, IBI also encountered lack of incentives provided by the policy makers for IBI. Meanwhile, regeneration for IBI's investigators is also facing lack of motivation and desire from MoF i.e. Inspectorate General employees to join IBI.

With all of its limitation and difficulties, IBI exercised its mandates. As Firdaus (2009) argued, IBI conducted well-performed investigation audit to fight perpetrators. It succeeded to targeted and put into sanctioned many corrupt individuals in its early period. Hence, corruption in MoF was not as ubiquitous as before the IBI establishment. IBI succeed to challenge the strong corruption norms and values within MoF.

By its nature, corruption was swiftly adapting to the anti-corruption policies. Although IBI made corruption become less massive and only for small networks, corruption is still there. On 2009, Gayus Tambunan who work as a staff in tax authority (Directorate General of Tax), corrupted approximately 8,5 million rupiah (Lumbanrau 2016). A few years later, MoF was hit again by customs officer corruption valued 11 billion rupiah (Mubarok 2013).

As response to the condition, MoF developed several actions. On 2011, MoF issued Minister Decree Number 7/KMK.09/2011 and Number 149/KMK.09/2011. These decrees are the legal basis of affidavit system and whistleblowing system respectively. The first system is harnessing asset declarations from the MoF employees to detect unusual asset ownership. The latter system is managing internal and external tips regarding corruption to identify corrupt action. According to Ardhityasari (2015), whistleblowing system is positively contributing to corruption eradication within MoF because it increases people awareness of corruption. Also, corruption issue in MoF was increasing in number and becoming more complex, so it needed more and better manpower to tackle. Therefore, IBI also improved its human resource capacity by opened recruitments in 2013 for regeneration purpose.

There are no studies about corruption that revealed the absolute condition of a successful anti-corruption agency. However, in 2014 there was study by Schulz argued that well-funded and well-staffed anti-corruption are mostly found in success anti-corruption agency. In the same study, by using two different analytical frameworks, which are principal-agent model and collective-action model, Schulz (2004) argues that political settlement is an important factor above fund and qualified staff.

Although there are several determinants already revealed regarding successful anti-corruption agency, there is still limited study about anti-corruption in small context such as in a ministry. Therefore, this paper is about probing condition for small anti-corruption to succeed in challenging big corruption institutions by using IBI case.

1.2.   Scope of The Research

This research mainly discusses IBI in terms of the ministry policy to build anti-corruption unit, a performance evaluation, causes of entrenched corruption, and key-factors of IBI achievements. The timeframe chosen is between 2011 until 2016 because in that period IBI already established for seven years, in the same period whistleblowing system was implemented and recruitments for IBI employees. By analyzing on that period, a significant reason to stand inspectorate existence in terms of corruption issue can be identified.

1.3.   Research Objective

This paper is analyzing whether an anti-corruption agency able to perform or not. To solve the problem, a clear objective should be provided. This paper objective is evaluating the effectiveness of small anti-corruption in exercising its mandates to fight corruption institution by analyzing IBI in MoF. In resonance with the objective, this paper first will qualitatively analyze the reason behind IBI establishment and the evolution. Furthermore, this paper also analyzes the capacity within the IBI itself to perform its duties.

Therefore, this paper hopefully contributed to improving IBI in putting appropriate strategy in curbing corruption in MoF. In addition, it also hopefully would provide more knowledge on what condition should an anti-corruption agency to succeed in performing its duties.

1.4.   Research Questions

In order to achieve its objective, this paper has one main question which is **"How effective has the IBI been in reducing corruption within The Ministry of Finance of Indonesia?"**

Subsequently, to answer the main question, this paper seeks answers to five sub-questions as follow:

1) Why did the MoF establish IBI to reduce corruption in the first place?
2) What are the mandates and roles of IBI, and how has IBI evolved since its establishment as regards curbing corruption within MoF?
3) Has IBI being effective regarding performing its duties?
4) How are the roles of other interest actors?
5) What are the determinants for IBI's performance and which factors supported or hindered its performance?

1.5.   Building Blocks Of This Paper's Analytical Framework

Several previous studies about corruption (e.g. Meagher 2005; Klitgaard 1998; Rose-Ackerman 1978) argued that corruption issue resembles what so-called principal-agent model. This model emphasizes corruption occurred because existed conflict between principals and their agents and information asymmetry between them. Furthermore, Klitgaard (1998) argued that corruption can be formulated with "C=M+D-A."The common solution that came up from corruption is establishing an independent, well-staffed, and well-funded anti-corruption agency.

However, there are also studies who opposed the principal-agent models (e.g. Schulz 2014; Pippidi 2013). They bring collective-agent model to surface, a model which assumed principals could also be corrupted. People corrupted because the surrounding environment gives the incentive to do so. It turns out that not all the anti-corruption agencies created are successful. Every country has its own context and capacity. Similar anti-corruption policies can be expected to result differently in different countries. Donors should also pay attention to the national and local policy context and administrative and political dynamics. Local policy may result better.

This study analyzes factors that influence an anti-corruption agency in exercising its mandates to curb corruption in developing countries. No developing country illustrates linkage between democracy and decentralization like Indonesia (Hadiz 2004; Smoke 1996). Furthermore, no ministry in Indonesia managed budget as much as Ministry of Finance of Indonesia (MoF) . Therefore, this study uses Inspektorat Bidang Investigasi (IBI) in Inspectorate General under MoF as lesson learned to understand success factor from an anti-corruption agency.

In order to achieve this paper objective and answer the main question, I use theoretical/analytical toolbox and methods toolbox/research methodology. This paper provides concepts, theory, perspectives, and comparative evidence to build the argument. Firstly, concept of institutions and corruption. Afterwards, I will explain two different perspectives on how to view corruption, which is principal-agent and collective-action model. Finally, to complete my analytical toolbox, comparative evidence from Independent Commission Against Corruption (ICAC) Hong-Kong, KPK Indonesia, and *Fiscale Inclichtingen en Osporings Dienst* (FIOD) The Netherland will be provided to bring more explanation.

1.6.   Research Methodology

Now I will present my research methodology. This paper is analyzing mainly qualitative data which come from internal and external IBI.

Initially, I will use the evolution of IBI to discover what mandates, policy action, challenges, and outcomes that IBI has achieved. This analysis will use documents such as Minister Decree regarding IBI establishment, whistleblowing system, and affidavit system to understand underlying factor for IBI and the supporting system. Subsequently, I use explanatory survey targeting MoF employees by using Erasmus University Online Survey platform by Qualtrix to gather statistical data (see appendix 2). This data is representing MoF employees perceptions that later will be used to roughly assess IBI's performance. Lastly, I will conduct semi-structured interview to various key-informants from internal and external IBI. These interviews are aiming to get more understanding and confirmation of IBI's evolution, the context when IBI initially established, IBI's performance, and IBI's determinants to achieve its mandates.

The fieldwork was located in Jakarta, mainly in MoF Headquarter where I interviewed three key informants from IBI and MoF (see annex 1). The other place was in Den Haag, where I conducted desk research and the rest of interviews via Skype. The fieldwork was from July 2017 until September 2017. The online survey was succeeded to retrieve 121 respondents from minimum 100 respondents (see annex 2).

Secondly, I will use capacity framework by Grindle and Hilderbrand (1995) to identify whether IBI has sufficient capacity to perform its duties or not. This analysis relies on data from documents such as IBI's budget, MoF annual performance report, and WISE annual report. Furthermore, this analysis also uses semi-structured interview to triangulate the findings. Also, in this analysis I also mention two different perspectives, which are principal-agent and collective-

action model, to analyze different period of IBI since its established. This research method is used to answer the questions of this paper as the matrix follows:

Table 1 Data Analysis

No	Sub-question	Area of Investigation	Method	Anotation
1	Why did the MoF establish IBI to reduce corruption in the first place?	- Corruption in MoF - History of Fighting Corruption in MoF - Theory of Change of IBI establishment - IBI mandates - Evolution of IBI - Interim Goals of IBI - Outcome of IBI establishment	- Literature review (official documents and reports from MoF) - Semi-structured interview	Documents are available and accessed
2	What are the mandates and roles of IBI, and how has IBI evolved since its establishment as regards curbing corruption within MoF?	- Minister Decree regarding IBI - IBI's Theory of Change	- Literature review (official documents and reports from IBI - Semi-structured interview	Documents are available and accessed
3	Has IBI being effective regarding performing its duties?	- People Perception on IBI's performance - IBI's capacity	- Capacity Framework by Grindle and Hilderbrand (1995) - Survey - Semi-structured interview	Qualtrix-Online survey provided by Erasmus University
4	How are the roles of other interest actors?	- IBI's capacity - IBI's stakeholders and related actors	- Capacity Framework by Grindle and Hilderbrand (1995) - Stakeholder Analysis - Semi-structured interview	
5	What are the determinants for IBI's performance and which factors supported or hindered its performance?	- IBI's Theory of Change - IBI's capacity	- Semi-structured interview	

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1.7.   Justification and Limitations

This paper is trying to find out the struggle of a small institution i.e. IBI in curbing established corrupt institution in MoF. Corruption is highly adapted to the system and regulations. Corruption is secretive, bilateral, and mixed up with norm and values. Therefore, exact answer regarding corruption problem is difficult. Hence, very few key informants that ready to disclose corruption issue.

In analyzing notorious corruption issue, it is difficult or nearly impossible to retain a complete and precise evidence. There is none corruption study that vividly maps the corruption mechanism. Moreover, no measurement can show the absolute result of anti-corruption effectiveness.

On the other hand, I am a former IBI employee and have direct experience on MoF corruption-related issue, so I encountered ethical problem that may lead to bias argument. To minimized my

bias, I triangulate my findings with any possible relevant sources. Moreover, I sterilized my key-informants from my close friend and colleagues. Although this research not represented IBI as a whole institution, it is partially depict IBI performance in accomplishing people stakeholders expectation in MoF context.

1.8.   Research Paper Organization

I structure this research paper into six chapters. The first chapter is introduction and the design of the research paper. Subsequently, Chapter 2 discusses the concepts, theory, perspectives, and comparative studies that important in building this paper argument. Later on, in Chapter 3 provide contextual background of Indonesia and MoF in terms of curbing corruption efforts. Moving on to Chapter 4, I start to analyze the reasons behind IBI establishment and the evolution of IBI. The analysis continues in Chapter 5 where it presents the capacity framework analysis regarding IBI in performing its duties. Finally, in Chapter 6, I conclude all my findings and analysis.

Chapter 2:

Conceptual Framework and Literature Review

This chapter discusses the perspective concepts that underpinning the research. Besides, selected relevant cases on addressing corruption are also presented, to identify factors and dynamics which may explain why some approaches are more successful than others. Two major concepts stand central to my investigation. They are institutions and corruption. In addition, I will analyze the theory of change of the IBI establishment. Hereafter, I use the debate between principal-agent model and collective action to get deeper understanding of IBI performance. In order to assess, as to whether IBI already has sufficient capacity to perform its duties, I will apply the capacity framework by Grindle and Hilderbrand (1995). As mentioned, at the end of this chapter, I will present some "best practices" of anti-corruption agencies in the world in two different contexts. Hong Kong (ICAC) and Indonesia (KPK) represent successful agencies in curbing corruption. Furthermore, an example from The Netherland is FIOD which represents an anti-corruption agency inside a ministry. Those comparative studies would give more understanding of common determinants.

2.1. Institutions

Strong institutions are critical for the public sector to reach its goals. Institutions include both organizations and the norms and values which govern them. Institutions also are known as "The rule of the game", these rules are formal and informal. The informal institutions known as socially shared rules and usually unwritten that operates, created and enforced outside of official sanctioned channel. A ministry, as one example of formal institution, is setting the rule of the game for the organizations, i.e. the ministry (Grindle and Hilderbrand 1995).

However, there are also informal institutions such as mafia groups, family, and others in informal organizations. Furthermore, some institutions are not organizations. For instance patronage and marriage. Although these kind of institutions is informal structure, it is often as important as the formal one. Therefore, an individual can be under several institutions. Institutions shape people behavior.

Certain institution applies in limited groups such as caste, ministry, or other organizations. It is communicated verbally from generation to generation. Furthermore, there are reward and punishment within the institution. These kinds of incentives drive people to act differently in different institutions.

The norms and values of the organization are very critical. If corruption is totally taboo, that gives a special sense of all employees. If everybody is corrupt, people will know and also act on that, e.g. as the incentives are actually to be better corrupt (endemic/systemic corruption).

As individual with agency, people face multiple norms (Sissener 2001). There is a conflicting formal and informal value system. For instance, a man has to follow based on his family norm as a father, in the same time he also needs to follow norm in the office as an employee or as a leader in the other organization. Therefore people usually "act in the middle" from all those value systems.

Institutions are important for a country development. According to World Development Report (1997), governments should focus on their core business, and these include establishing the rule of law and institutions through which economic can be carried out.

In organization like MoF, institution is important. The informal institution such as patronage may shape MoF. Employees are coming from different formal and informal institution. One employee may have several norms or values to be followed, for instance as member of a family, a previous class alumni, and many others. Those norms may overlap inside an institution, and an employee needs to compromise any possible conflict that might occur. Do this values and norms conflicts are influencing corrupt actions within MoF?

2.2. Corruption

According to KPK (2001), corruption is all actions that indicate against the law, private enrichment that harms the government, abuse of power, bribery, embezzlement, blackmail, and gratification. Corruption is an abuse of public power and money for private gain that includes all types of administrative irregularities and fraud.

Figure 1 Fraud Diamond
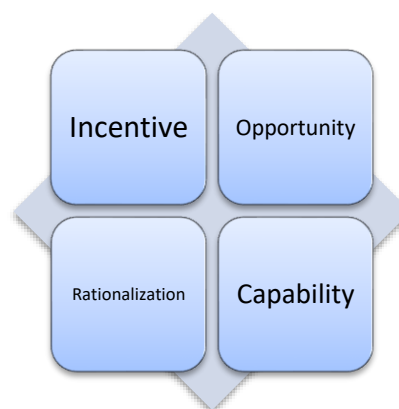
Source: Fraud Diamond by David T. Wolfe (2004)

The four elements in Wolfe "fraud diamond" could come together at the same time or singularly. Incentive exists when there is a desire from individual to commit fraud because he wants to do it or he has to do it. Opportunity means a moment where a person can exploit a loophole inside a system in organization. Rationalization means when the individual assures himself to commit

fraud and make his corroboration. Capability means when an individual understands that himself can turn the opportunity to commit fraud into reality (ibid).

Corruption can be perceived as legitimate action depends on the context (Sissener, 2001). Therefore, understanding the incentives that shape and give rise to corrupt action is important (ibid). A socio-cultural logic determines corruptive action, for instance the culture of gift-giving (Yang 1989) and solidarity network. According to Transparency International (n.d.), there is petty corruption which is related to abuse of entrusted power by public officials in their interactions with ordinary citizens. On the other hand, there is grand corruption which is abuse of high-level power that benefits the few at the expenses of the many and causes widespread harm to society (ibid)

So this raises some questions, can MoF corruption issue be explained from a traditional culture like gift-giving? Do the operation of solidarity networks support corruption issue in MoF? What is the key corruption prone to department generally? Do the general type of corruption to department is the same as in Indonesia and more specifically MoF?

2.3. Theory of Change

Theory of change is a systemic and cumulative study to understand the relationship of activities, outcomes, and context from a certain policy or initiative (Connel and Kubisch 1998). Based on their study, a theory of change framework can be used to assess whether a policy implementation already reaches its intended outcomes and impact. A theory of change explains how an action from a policy would lead to interim goals and longer-term outcomes (ibid). Meanwhile, this framework also identifies the context that influences the policy implementation (ibid). It is critical here that any evaluation or assessment starts from the written-up objectives of the intervention or agency (mandate, objectives/ expectations) and the actual implementation systems. That can only be the basis of the exercise (source documents).

This study investigates what the reasons are behind the establishment of an anti-corruption agency within MoF by using the framework. The framework will be used to identify whether IBI as an anti-corruption agency within MoF, have achieved what people expect from it. Furthermore, the context that influenced IBI performance to achieve its interim goals and long-term outcomes would be explained. Hence, this study would provide a holistic view of the outcomes of IBI establishment from the beginning until present, together with the contextual aspect of the policy. What theory of change behind the establishment of IBI?

2.4. Principal-Agent Model

According to Klitgaard (1998) as cited in Schulz (2014: 12), there is a linkage between principal and agent theory and corruption. The formula from Klitgaard (1998) is as follow:

Corruption (C) = Monopoly (M) + Discretion (D) – Accountability (A)

Corruption occurs if an officer positioned in a monopoly circumstances. Monopoly mostly occurs when there is no sufficient segregation of duties. Subsequently, discretion leads to corruption. Discretion can be suppressed through institutional strengthening, public sector reform, and reducing government regulatory power (Rose-Ackerman, 1978). Eventually, accountability from government to the people in the society has to be increased to balance the monopoly and discretion (Klitgaard, 1998). Hence, to reduce corruption government should reduce monopoly, reduce discretion, and increase accountability from the officials (ibid).

Several studies use principal-agent model as perspective (Persson et al. 2013; Meagher 2005). Persson et al. (2013: 452) state that this model carries two assumptions in analyzing corruption:

1. A goal conflict exist between principals (who are assumed to embody the public interest) and agents (who are assumed to have a preference in favor of corrupt transactions because the benefit to act corrupt outweigh the cost or consequence); and
2. Agents have more information than the principals. Hence information asymmetry between principal and agents exist.

Meanwhile, Meagher (2005: 5) stated that to anticipate corruption, principals need to select, monitor, and motivate their agents to act by principal's interest. Hence, anti-corruption reform means re-aligning incentives, enhancing information system, and re-balancing reward and punishment to foster desired agent's behavior (ibid).

Following principal-agent model, in this paper, the Minister of Finance, is considered the principal of MoF employees (agent), needs discreet and vivid information regarding his subordinates. The Inspectorate General role as eyes and ears of the Minister should be enforced to assure the Minister. The main-concern of principal-agent problem is information asymmetry that leads to abuse of power from subordinates. IBI promoted robust and clear enforcement of anti-corruption regulation within MoF. These actions resulted in corrupt officials being sanctioned and deterrent effect for the other perpetrators. Does principal-agent model fit with MoF condition?

2.5. Collective-Action Theory

The actual value of Principal-agent theory to understand the emergence or consolidation of corruption is debated by several scholars. The principal-agent is not applicable in a country with entrenched corruption issue because many of the "principals" also corrupt (Rothstein, 2011 and Booth, 2012 as cited in in Schulz 2014: 13). In the context of developing countries, many rulers (principal) are expecting bribe and people (agent) are paying bribe (Mungiu-Pippidi 2006 as cited in Schulz 2014). Although the government and people are enthusiasts to combating

corruption, eventually their commitment is only considered as lip service (Persson et al. 2013 in Schulz 2014).

In Indonesia context, this model resembles in word named "collusion". For Indonesian, collusion simply means jointly consent or agreement against the law. For instance, in the period of President Susilo Bambang Yudhoyono when many senators were caught by KPK because they "cooperate" and "hide" their corrupt action in government procurement, even senators from the President's party (ACCH 2017).

Rothstein (2011), Booth (2012), and Pippidi (2006) as cited in Schulz (2014) argued that people would hardly cooperate to achieve common goals such as in eradicating corruption because the pioneer in fighting corruption would pay the unidentified cost in the context of uncertainty situation. Moreover, the other member who acts as "free-rider" may not compensate the cost that being paid, although they also enjoy the result (Booth 2012 as cited in Schulz 2014: 14).

If most of society member is corrupt, it would be difficult for an individual to not participate in the corruption action (Schulz, 2014). A simple example such as a taxpayer who bribed the tax officer to reduce his tax obligation and it slowly becomes a habit. Consequently, it will create an incentive for the other taxpayer to do the corrupt behavior.

Corruption is a self-reinforcing problem in the society (ibid). Therefore, corruption is a "social trap" not a "cultural" (Rothstein 2011 as cited in Schulz 2014: 163). According to Persson et al. (2013) as cited in Schulz (2014: 16), it is very difficult for developing countries to escape from vicious circle of entrenched corruption because corruption impedes development, yet under-development preserve corruption. For instance, in Tanzania where the government procurement in year 1999 is highly corrupted, it is impossible for government suppliers to act with integrity (Haarhuis, 2005). So, if one government suppliers act with integrity, it can be assured that they either would not get the job or being sacked out of the arena. Moreover, in the context of developing countries where the government is the principle and the people are the agent, the power of the government is very strong. The government has the significant role in distributing the resource (money) through procurement, grant, and other government programs for the people. Hence, who has access to serve the government would win in the corrupted society.

On the other hand, whistleblowers who disclose the corruption issue face high risks of being seen and treated as public enemies in the society (Persson et al. 2013: 460). The collective action model shows that in the society with entrenched corruption issue, it is nearly impossible to have integrity and that is why efforts to battle corruption mostly fail. Integrity is only a delusion for the most people in the society. Therefore, in developing countries, it is difficult to escape from "vicious circle of corruption"(ibid).

In MoF context, corrupt environment may forces honest officer to participate in corrupt action. Moreover, the already corrupt society becomes justification either for the officer or the people itself to act corruptly. Does collective-action model fit MoF condition?

2.6.   Capacity Framework

Why are most governments in developing countries unable to perform its mandates as "principled principle" or in the other word why can't they perform their duties well? One answer is governments have failed to perform their roles for their country development (Grindle and Hilderbrand 1995). Government inabilities to identify exact problem which they encountered, lead to the government issuing inappropriate policies to respond the problem (ibid). Furthermore, government fails to implement action and sustain the action to reach its goals (ibid).

> *Capacity is the ability to perform appropriate tasks effectively, efficiently, and sustainably (Grindle and Hilderbrand 1995: 445)*

Improving capacity through capacity building is needed by the government to pursue it capacity gap (ibid). Grindle and Hilderbrand (1995) identify five dimensions of an organization that affect both capacity and capacity building.

Figure 2 Capacity Dimensions
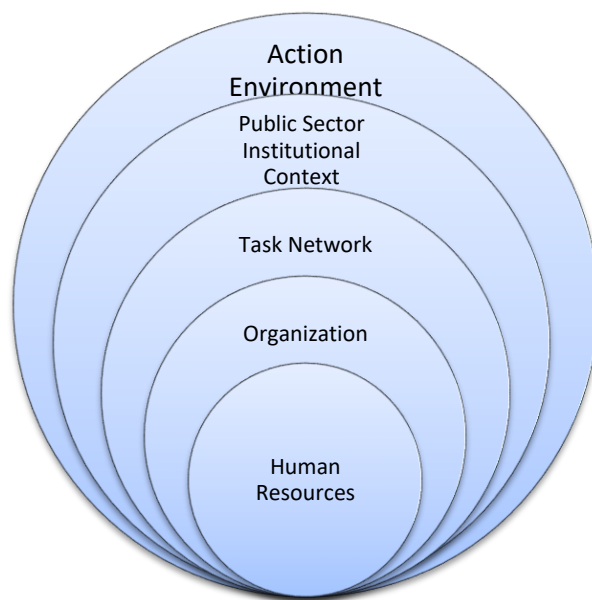
Source : Capacity Framework by Grindle and Hilderbrand (1995)

According to Grindle and Hilderbrand (1995):
- Action environment determines the economic, political, and social environment where the governments carry out its activities.
- Public sector institutional context may promote or even inhibit government to achieve a goal. This context includes rules and procedures set for the government; financial resources for the government; responsibilities; concurrent policies; and structure of formal and informal that influences public sector

- Task network appoint to a group or organization that may influence the success of government to carry out its duties. The organizations divide into primary organization which has central role in performing task, secondary organizations which have essential influence and supporting organizations which have supporting role to accomplishment of the task i.e. fellow public sector, NGO, or CSO.
- Organization refers to organization goal, structure, processes and incentives. These aspects drive the organizational output and shape the behavior of individuals inside it.
- Human resources relate to managerial aspect regarding people recruitment, utilization, and retention inside organization. This element also covers how people being educated and trained to support accomplishment of any given task.

IBI as anti-corruption agency inside MoF has crucial task to overcome corruption issue. The entrenched issue has to be analyzed thoroughly to identify the solution. Furthermore, the capacity of IBI also needs to be analyzed to determine whether IBI performs its mandates adequately. Capacity framework is used to identify whether IBI has sufficient internal aspect which is represented by organization and human resources dimension. Furthermore, it is also able to identify whether IBI supported by sufficient external aspect which is represented by action environment, task network, and public sector institutional context dimension. Does IBI encountered capacity problem?

2.7. Comparative Evidence

This section presents several examples of successful and unsuccessful anti-corruption efforts. This is done to assess the many factors that help or hinder such efforts. Furthermore, it is done to see which factors can be seen as critical and which are relevant to explain the efforts in MoF.

2.7.1. The Case of Global Anti-Corruption Agencies

Every country in the world agrees that corruption is a threat. Many efforts have been done to overcome it. Yet, only a few countries are succeeding in applying countermeasure actions. Many studies identified that political leadership is strong determinant.

The research by Nicolai Schulz argued that indeed political settlement of a country is the key on whether anti-corruption agency is going to be successful or failure. He delivered his study by comparing 172 countries from 1996 to 2012. The result was a country with cohesive political settlement, anti-corruption agency is more likely to succeed if compared to a country with fragmented and lack of political leadership settlement. He argued that in relatively centralized and stable political settlement, anti-corruption agency policy will succeed. Therefore donors have to support them either technically or financial (Schulz 2014). Does political settlement also become the most significant factor in IBI context?

2.7.2. World Bank Anti-Corruption Program in Seven African Countries 1999-2001

The research investigated seven different countries in Africa between 1999 to 2001 in terms of evaluation of World Bank anti-corruption program implementation. In developing country context, most of anti-corruption efforts are symbolic rather than actual moves toward change.

The research showed that in program implementation, there was various level of progress among seven countries. In some countries, there were hard to find satisfying result from the program of anti-corruption. On the other hand, 'genuine-reformer" countries likely to have far-reaching decision about curbing corruption. Findings also show that influential parties in curbing corruption are not only national government and other domestic actors, but also international donors. It turns out that, donors hold significant role in reducing corruption in developing countries (Haarhuis 2005). Did IBI also drive by international donors?

2.7.3. Hong Kong – Independent Commission Against Corruption (ICAC)

According to ICAC (2015), Hong-Kong responded to endemic corruption issue by establishing ICAC in 1974. Initially it was targeted to overcome the corrupted police force in Hong-Kong (Kwok Chung 2009). Bribery was made an offense as early of 1898 with the enactment of the Misdemeanors Punishment Ordinance. Subsequently, in 1948, it replaced by Prevention of Corruption Ordinance and the legislation was enforced by Anti-Corruption Office under the Police Force. In 1971, the anti-corruption unit was strengthened with stronger investigative power and heavier penalties for offenders.

ICAC was empowered by Independent Commission Against Corruption Ordinance. The commission is responsible directly to Hong-Kong Special Administrative Region Chief Executive. Moreover, ICAC is independent of the civil service. Three areas focused by ICAC at that time was enforcement, education, and prevention as tools to fighting corruption. Hence, ICAC consists of Operations Unit, Corruption Prevention, and Community Relations. ICAC investigating officers are empowered to arrest for alleged offenses. After that, Department of Justice examines the evidence provided by ICAC on prosecutions.

For corruption prevention, ICAC has a statutory duty to examine the practices and procedures to ensure that the system is intolerable for corruption. ICAC also obliged to provide anti-corruption assistance for government bodies that need to be assisted regarding fighting corruption. ICAC is also responsible for educating people against corruption cancer and gratification habit in Hong-Kong. Many platforms such as face-to-face session, social media, tailor-made program for different sectors, and website (icac.org.hk) are being used by ICAC to educate people (ICAC 2015). Do ICAC model resemble in IBI?

2.7.4. The Netherland - *Fiscale Inclichtingen en Osporings Dienst* **(FIOD)**

In The Netherland, there is a Tax and Customs Administration that comprises Director General, Chief Information Officer, Human Resource Director, Chief Executive Officer and six members of Management Team. FIOD is under the Management Team.

A study by Hoenderkamp (2016:94) argued that FIOD is a special investigation service of The Netherland Ministry of Finance. FIOD also carries out investigations at the request of other ministries. FIOD targets on three major type area of fraud, which are fiscal, financial, and commodities. This unit has authority in criminal procedures, general tax, customs, and law and economical offenses. In order to carry out its duties, FIOD able to do money confiscation, undergo intelligence action, undergo investigation, and monitor integrity level of the employees.

In order to support its mandates, FIOD improves its network with tax offices, customs offices, public prosecutors, national police and also civilians. FIOD also promote prevention policy for its employees regarding salary incentive, integrity test, job rotation, segregation of duties, safe environment, and management role model culture. In general, there is also significant hindrance in The Netherland due to privacy law, lack of willingness to report and the law only "sharp" for lower staffs. Does IBI replicate what FIOD does?

2.7.5. Indonesia – Komisi Pemberantasan Korupsi (KPK)

KPK was the result of both, people pressure to government regarding corruption eradication and the international donors (ACCH 2017). According to Law Number 30 Year 2002, KPK mandates is to eradicate corruption professionally, intensively, and sustainable. In order to achieve its mandates, KPK has the authority to conduct investigation, prosecution, receiving tips and reports regarding corruption cases, gaining and accessing information, and monitoring anti-corruption programs in all government bodies.

KPK strategy is tackling high value of corruption and public concern corruption cases (KPK 2017: 9). Many politician and public officers was caught by KPK. KPK initial strategy that relies on "catching the big fishes", created huge wave of rejection from several actors; therefore the preventive strategy has to be improved (Brata 2015: 3). Therefore, currently, KPK is not only busy with curbing corruption by "hunting-culprits" in Indonesia, but also busy with preventive actions. Does IBI also face similar issue with KPK?

In a nutshell, this chapter has provided the analytical tools and questions to be addressed in the case of IBI performance in MoF. The next chapter will discuss IBI evolution from the beginning until 2016.

Chapter 3:

The Indonesia Ministry of Finance

3.1. Indonesia, Administrative Set-Up, and The Incidence of Corruption

Indonesia is a republican government which consists of central and local government. Central government of Indonesia lead by a President and supported by the 34 ministries. After decentralization hype, central government only manages affairs such as foreign affair, defense, religion, national security, justice, national monetary and fiscal affairs.

Figure 3 Indonesia Central Government Structure
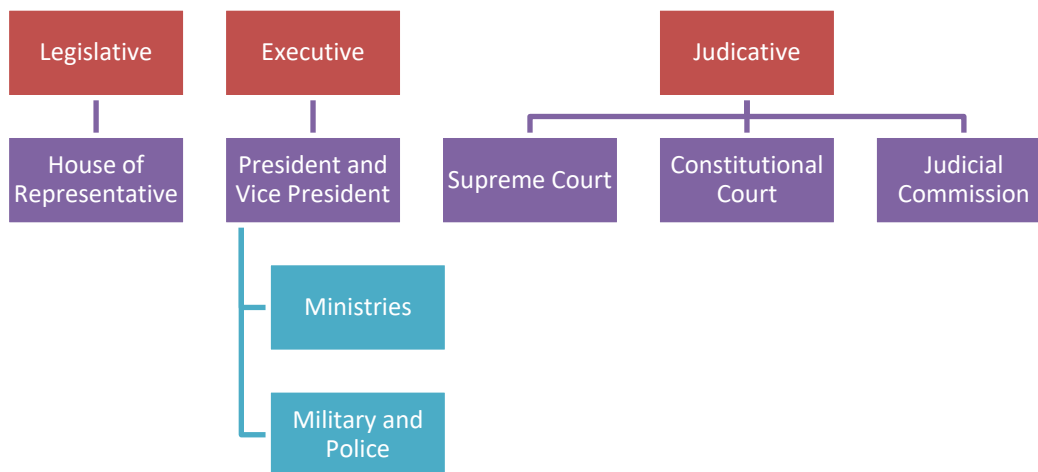
Source : Own Construction based on Indonesian 1945 Constitution

Indonesia was highly centralized concerning financing system and public service delivery (Smoke and Lewis 1996: 1281). Under 32 years centralistic government in President Soeharto's regime, Indonesia decentralized gradually although it was fueled by international donors (Smoke and Lewis 1996: 1286). Indonesia is a clear example of a democratic and decentralist country who fights with entrenched corruption issue. According to Hadiz (2004: 699), Indonesia illustrates that decentralization should come along with a good system of power relation to achieve transparency and accountability. Otherwise, it will create new predatory networks of patronage. Indonesia illustrates where an honest officer is exceedingly hard to fight pressure from money politics which underpin Indonesian local and central government (Hadiz 2004: 716).

Corruption in Indonesia is starting from giving speed money to village officer for taking care of citizen ID card, providing bribe for street-level bureaucrats'[1] police officer for traffic ticket until high valued corruption that involves member of parliaments and businessman. Not only grand corruption that occurs in Indonesia, but also petty corruption. In the 2014-2015 period, 803 corruption cases are given a verdict from 2.321 received (Winurini 2017: 10). Those cases put 3.109 corruptors into custody which consists of 1.115 are civil servants and 559 politicians (ibid). Bribery and procurement fraud are the most cases being handled in Indonesia (ibid).

In Indonesia, bribery can maintain friendship. Good relation between businessman and civil servant can easily nurture through bribe or gratification. It may because giving gifts is part of Indonesia's culture. When bribe is ubiquitous like in Indonesia, it will create the assumption that bribery is part of business cost and it's conform view which is a normal attitude. Such phenomena show that in Indonesia's corruption is massive, through collective action or so-called "collusion" and linked into many government organizations. Grand corruption likely happens with collective action and it needs network and relations. Corruption is not only motivated by individual desire but also social pressure.

In line with that, the most robust action made by Indonesia was the establishment of an independent anti-corruption body named KPK[2] or Corruption Eradication Commission based on Law Number 30 Year 2002.

Figure 4 Indonesia Corruption Index from 1995-2016

Data source : Transparency International Indonesia Chapter

As shown in the chart above, since the fall of Orde Baru regime led by former President Soeharto in 1998, Indonesia Corruption Index plummeted below 20 points. After Orde Baru regime or Indonesian called it Reformasi Era, the index stays low up to year 2003. Nevertheless, the trend gradually increases and eventually, according to Corruption Perception Index in 2016, Indonesia

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[1] According to Lipsky (1969) Street level bureaucrats are identified as people employed by government who : 1) are constantly called upon to interact with citizens in the regular course of their job; 2) have significant independence in job decision-making; and 3) potentially have extensive impact on the lives of their client.

[2] KPK = Komisi Pemberantasan Korupsi, established based on Law Number 30 Year 2002 about Komisi Pemberantasan Korupsi. Online document at https://kpk.go.id/gratifikasi/BP/uuno30-2002_dgn_penjelasan.pdf

is positioned in 90th out of 176 countries. The corruption cancer was spreading in ministries, government bodies, and local governments.

3.2. The Ministry of Finance

Figure 5 MoF Organizational Chart
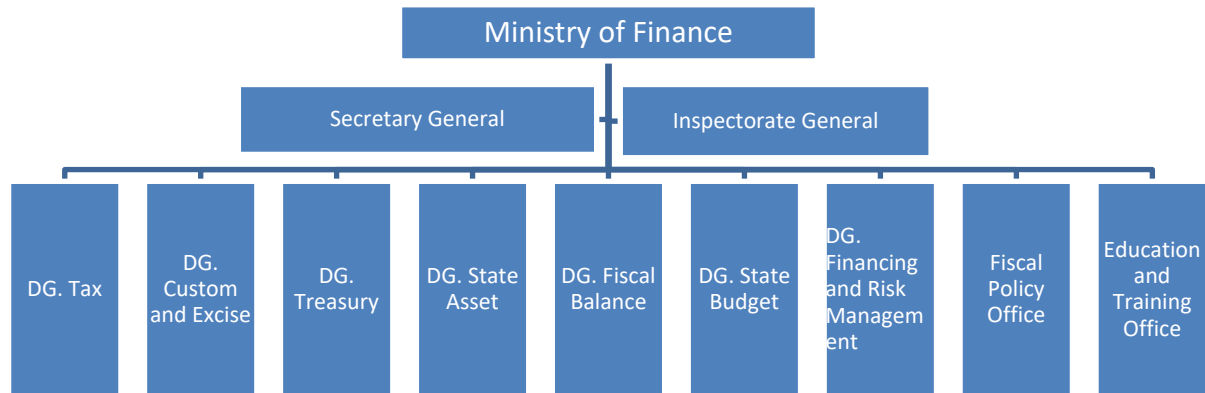
Data source: Own Construction based on Minister Decree Number 1 Year 2015

One of the ministry in Indonesia is Ministry of Finance. According to Minister Decree number 1 year 2015, MoF consists of four echelon tiers. There is 11 unit of echelon 1 with specialized in 11 area of finance in Indonesia. First, Directorate General (DG) Tax is responsible for collecting taxes that under the central government. DG Custom and Excises is for collecting export-import taxes, excises, and border security. DG Treasury is for spending policy of central government budget. DG State Asset is national asset management authority. DG Fiscal Balance is for supervising central to local government fiscal transfer. DG State Budget is for national budget planning. DG Financing and Risk Management are for overseeing loan and risk management. Fiscal Policy Office is for research and development regarding preparing fiscal policy; Education and Training Office is for improving human capacity for MoF employees; Secretary-General is for administration of MoF. Lastly, Inspectorate-General is for internal control for the MoF.

MoF is managing 1.822,5 trillion rupiah[3] of national revenue and 2.095,7 trillion rupiah national expenditure in 2017 (MoF, n.d.). MoF has some experiences with corruption. For example, in 2009, Indonesia was shocked by a corruption case done by Gayus Tambunan who work as a staff in tax authority. The corruption is worth approximately 8,5 billion rupiah by Gayus Tambunan who work as a staff in DG. Tax under MoF (Lumbanrau 2016). A few years after the tax corruption, MoF hit again by the customs corruption. This time an officer of customs authority received 11 billion rupiah as bribery from private company (Mubarok 2013). Meanwhile, there was also a corruption case worth 13 billion rupiah in DG. State Asset (Nababan, 2016). These cases are typical petty corruption which only related to internal MoF.

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[3] 1 euro = 15.700 rupiah

When we want to assess the anti-corruption unit within MoF, it is important to understand what kind of corruption that MoF mostly encountered. As I explained in Chapter 2, MoF experiences many petty corruption cases which occur in all echelon 1 units.

Figure 6 Type of Corruption in MoF
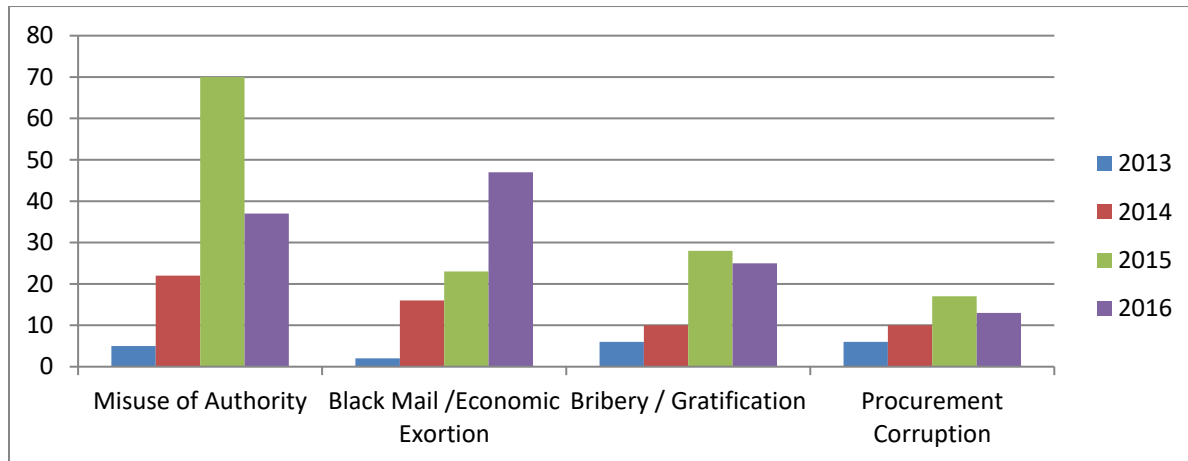
Source: Own Construction based on WISE Annual Report 2013-2016

The figure above shows the type of corruption that mostly occurs in MoF. The data was composed of whistleblowing system tips report. MoF has more than 72.490 employees in August 2017 which are spread across Indonesia (MoF, n.d.). In theory, all of them have the potential to be corrupt.

Following my recent facts above, as following:

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Figure 7 Trend Fraud Cases
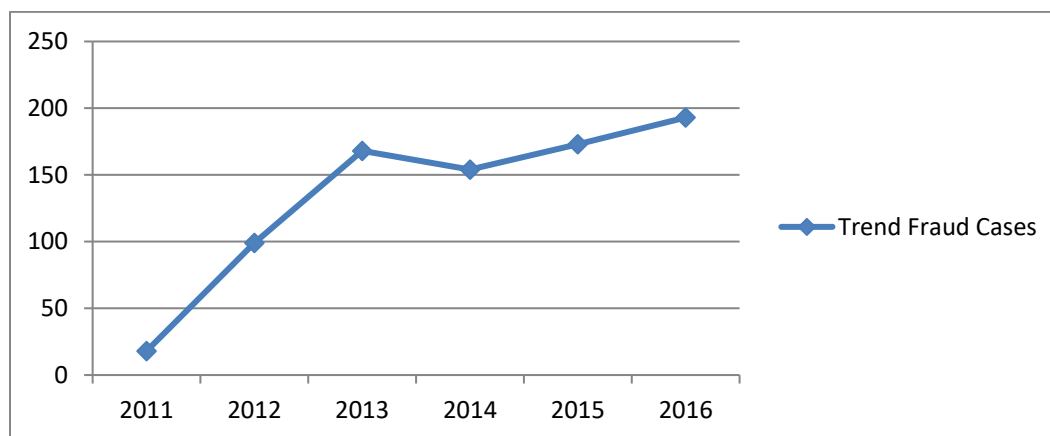
Data Source: Own construction based on Whistleblowing System Annual Report 2011-2016

Based on the chart, in 2011 there were only 18 fraud tips received by the Inspectorate General. The numbers of tips were gradually increased in the following year. 2012 was 99 tips, 2013 168 tips and surprisingly it was decreased in 2014 with 154 tips. In 2015, it was increased up to 173

tips and peaked in 2016 with 193 tips (Inspectorate General 2016). MoF is very vulnerable to corruption. The dominant types of corruption appear to be blackmail, abuse of authority, illegal gratification, and procurement corruption (ibid). As can be seen above, the rising trend of fraud cases indicates either IBI was performing better to detect corruption or the corruption cases were truly increasing. Precisely measured anti-corruption performance cannot be done by only seeing the number of corruption cases being revealed.

Concerning corruption issues, MoF issued Anti-Corruption Program that integrated among echelon 1 and aimed to create clean and good governance practice within the MoF. The first program to mention is mapping and identifying the source of corruption. Secondly, Performance Audit, in this sub-program Inspectorate General carries out performance audit on other echelons 1 unit and communicates the result and findings to the top management of each echelon. Thirdly, Preventive Sub-Program, in here MoF emphasizes on value and attitude building for the employees and enforces ethical code of conduct. Fourthly, Monitoring, in this sub-program through Inspectorate General, MoF implements whistleblowing system and develop smaller internal control unit in every MoF offices across Indonesia. Lastly, Reward and Punishment, in this sub-program MoF implements performance assessment system that applies to all employees.

Chapter 4:

Assessing The Evolution and The Performance of IBI

4.1. How IBI Carries Out Its Mandates

After I explained about the context of this study in Chapter 3, in this Chapter 4, I will explain the theory of change of a policy for an anti-corruption unit. This chapter discusses trigger point that initiated MoF anti-corruption unit and the unit development.

Policy Setting

Understanding how and why an initiative works are essential to determine the intended outcomes, activities expected to achieve those outcomes and the contextual factors that may influence the actions and desired outcomes (Weiss 1995, as cited in Connel and Kubisch 1998). Policy makers have to envisage what should be implemented, what happens after the implementation, and what result is expected. In the context of MoF fighting corruption, this paper applies the theory of change to assess the implementation and outcomes of the policy to establish an anti-corruption body.

Figure 8 IBI's Theory of Change

Assumption (MoF Policy to Curb Corruption) → IBI's mandates → Policy Action (IBI's Power) → Intermediary output → Ultimate Outcome (curbed corruption)

Source: Own Construction based on Connel and Kubisch (1998)

Implementing a policy is a cause and effect process. There must be trigger points that drive the current government to implement a particular policy to achieve desirable outcomes. There are common reasons when a government decides to build an anti-corruption agency. Firstly, an anti-corruption establishment is needed to show government commitment to lead corruption eradication. According to Haarhuis (2005:26), a top-down policy reform such as promoting an anti-corruption body encompasses a real reform in curbing corruption in the government. In line with that, Kumar Dash (2013:20) stated that an independent agency against corruption would clearly deliver new hope and expectation. Meanwhile in the context of MoF, according to key-informants from MoF, there was a strong will from the minister to combat corruption in 2004.

Secondly, most of the anti-corruption body in developing countries was suggested by donor parties. The donors put much expectation to the anti-corruption agency and made its establishment as one of the requirements in their loan programs (Haarhuis, 2005:11). In

resonance with that, on 2003 MoF had a loan agreement with the IMF and one of the programs was MoF to conduct structural reform especially in taxation (Boorman and Hume 2003). IBI was one of the results of MoF structural reform. According to the key informant from MoF[4], IMF was supported by specialists from USA Treasury Inspector General for Tax Administration (TIGTA) in preparing IBI establishment.

Meanwhile, World Bank also issued Development Policy Loan[5] as much as US$300 million for Indonesia to support capacity development for legislative, Badan Perencanaan Pembangunan Nasional (Bappenas), and MoF (World Bank 2004). Within MoF itself, three units are prioritized. The units are Tax Court, Directorate General of Customs and Excise, and Inspectorate General (ibid). The World Bank urged the Indonesian government to ameliorate MoF Inspectorate General business process and integrity (ibid). Therefore, special training and assistance in the investigation were available and accessible for Inspectorate General.

Although the program aimed to revitalize MoF, in my opinion, this method can be considered as a coercive foreign policy from donors (IMF and World Bank) to Indonesia. MoF at that time had no option except to implement it. In resonance with that, (Kumar Dash 2013:35) argued that in developing countries, policies are designed and formulated only by several high ranked officials and without sufficient feasibility studies.

As a result, in 2004 Minister of Finance Decree Number 302/KMK.01/2004 about Organization and Working Procedure of Ministry of Finance was issued. The decree is the womb of the anti-corruption body inside the MoF as it establishes IBI structurally under Inspectorate General (MoF, 2004). The assumption of IBI establishment was if IBI exists, then many perpetrators will be sanctioned and eventually corruption level decreases.

IBI is positioned in echelon 2 unit, and it is on a par with the other seven inspectorates. IBI is directly accountable to Inspector General and also to Minister of Finance (Firdaus 2009: 101). As an echelon 2 unit, IBI is led by an Inspector. IBI consist of five investigator groups and one administrative unit.

In IBI, all the investigators are directly accountable to the Inspector of Investigation. On the other hand, the administrative unit in IBI is a structural unit led by a Head of IBI Administrative. Likewise, the structural unit head is accountable to the Inspector of Investigation. The investigator duty is to undergo investigation, and each of them leads by a Coordinator (ibid). The administrative unit duty is to provide administrative support such as financial administration (ibid).

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[4] Interview with Mr. Zainul Haq

[5] Development Policy Loan was issued for Indonesia as much as US$300 million to support macro economy stability and accelerate economic policy renewal momentum. Online document at http://web.worldbank.org/archive/website01363/WEB/0_-13183.HTM

Figure 9 Inspectorate General Organizational Chart
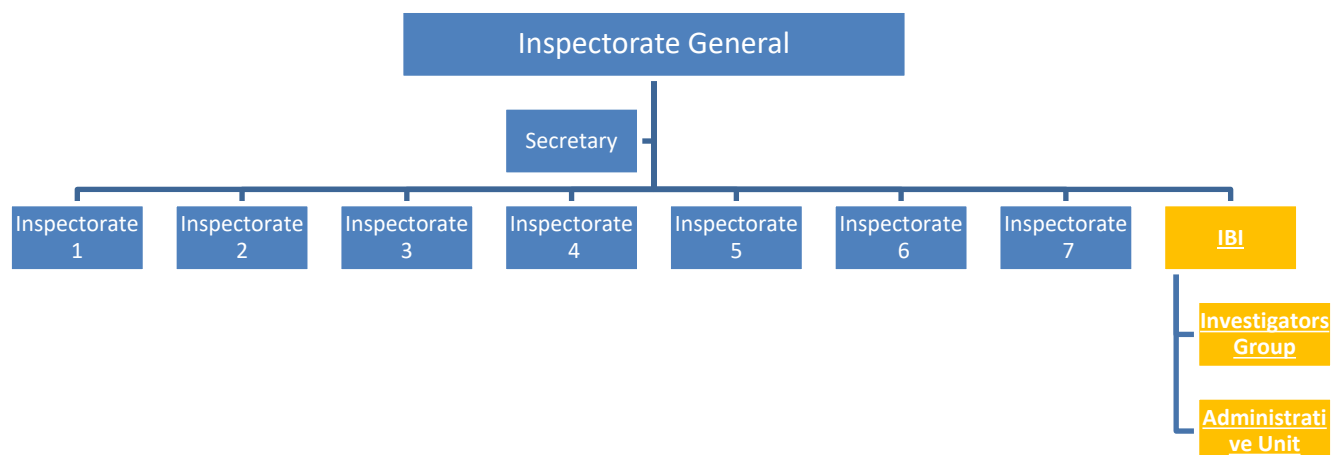
Source: Own construction based on Minister of Finance Decree Number 302/KMK.01/2004

The structure on the chart above is similar with TIGTA organization-structure[6]. The anti-corruption unit is directly accountable to the risk owner, who is Minister of Finance. In resonance with that, ICAC also directly accountable to the Hong-Kong Governor (Klitgaard et al. 2000: 21). Other than that, FIOD similarly answerable to The Netherland Minister of Finance (Hoenderkamp 2016: 94). This kind of structure is minimizing information asymmetry between the risk owner/minister (principal) and the agents. The principals will receive direct information from the anti-corruption body regarding their subordinates' activities.

When we consider the usefulness of different perspectives to understand corruption, the principal-agent model has shown to be relevant to understand. Anti-corruption body establishment seemed successfully used and politically supported (Schulz 2014: 16). Another study by Kumar Dash (2013: 12) also mentioned that the most successful anti-corruption bodies were rather small and centralized bodies with investigative, preventive, and communication functions. In resonance with that, in 2004, Indonesia Minister of Finance gave mandates to IBI.

> *Minister of Finance of The Republic of Indonesia,*
>
> *Considers*   a. *That Inspectorate of Investigation in Inspectorate General of Ministry of Finance has the duty to conduct investigation based on applicable rule of law on suspicion of irregularities and / or misuse of authority in relation to Ministry of Finance duties;*
>
>   b. *That Inspectorate of Investigation in Inspectorate General of Ministry of Finance has a role in promoting efforts to eradicate corruption, collusion, and nepotism within the Ministry of Finance;.....*

(Literal translation of Minister of Finance Decree Number 462/KMK.09/2004)

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[6] TIGTA organization's structure see Appendix 3

Based on Minister of Finance Decree Number 462/KMK.09/2004 about Investigation Procedure, IBI has two mandates. The first mandate is to conduct investigation towards fraud and misuse of authority regarding MoF functions (MoF 2004). This mandate shows that MoF expects IBI to tackle all irregularities and misuse of authority through investigation audit. MoF expects corruption can be reduced if IBI can conduct investigation audit adequately.

The second mandate is to promote corruption, collusion, and nepotism eradication action inside MoF (ibid). This mandate shows that MoF expects IBI to be important actor in corruption, collusion, and nepotism eradication within MoF. They expect new breakthroughs in curbing corruption from IBI. It means that not only curative actions that expected from IBI, but also preventive and others actions regarding corruption, collusion, and nepotism eradication.

A public organization has two types of mandates (Bryson 2012: 61). The first is a formal mandate which is written as a regulation and the second is informal mandate which is usually come from people expectation towards the organization itself. In the case of IBI, the informal mandate is fighting corruption. This informal mandate is not less binding than the formal one because it relates to important stakeholder expectation.

In order to realize its mandates, as mentioned in the Minister decree, IBI needs several actions to reach interim goals. Therefore, policy tools are required. IBI is equipped with several specific powers. IBI can exercise 8 initial powers:

a. *Summon/call-in MoF employees for information probing, either as witness or information source;*
b. *Instruct all units under MoF to provide data or information needed for investigation;*
c. *Report any units that do not provide data or information regarding investigation to Inspector General, Director Generals, or Minister;*
d. *Gain access to classified information in MoF regarding investigation;*
e. *Confirm the data or information gained to the third party;*
f. *Gain access to all locations / facilities / assets / computer networks / files under MoF authority regarding investigation;*
g. *Conduct followed action to MoF officials who were caught in hand by other authorities in terms of corruption cases;*
h. *Ask assistance from experts in certain field regarding investigation*

(Literal translation from Minister of Finance Decree Number 462/KMK.09/2004)

These powers are essential to creating intermediary outputs before IBI reach its desired outcomes. Power a, b, and c depict IBI can gain as much as information as they want for the sake of investigation. Moreover, IBI can report if there is a unit that refuses to provide information for IBI. Point d, e, and f allow IBI to have full access to all information centers, places, facilities and files under MoF jurisdiction. And the last two show that IBI allowed to build further action regarding corruption cases in MoF and hand it over to higher criminal authorities, i.e. Police or

General Attorney. Moreover, IBI also allowed being assisted by experts external MoF to gain more clarity regarding investigation.

According to the interview, these authorities depict top managements strong will and policy at that time. These powers lead and support IBI to achieve what leaders want to curb corruption within MoF. How much power does IBI has is depict from this Minister Decree.

4.2. IBI in the Early Years

A successful anti-corruption body needs to have sufficient support from the current government, well-funded, and well-staffed (Schulz 2014: 9; Haarhuis 2005: 40; Kumar Dash 2013: 13). Furthermore, Haarhuis (2005:41) argued that a stand-alone and a strong anti-corruption body could not achieve its mandates without support from other policies such as administrative reforms, economic reforms, legal and judicial reforms, financial management, and political reforms.

In consonance with that, since 2002 MoF also implemented many other good governance policies such as balance score-card[7], tax office modernization, payroll-reform, and e-government implementation (MoF 2017). Therefore, anti-corruption body inside MoF already strengthens by supportive context. According to Firdaus (2009: 49), in the period until 2009 IBI was empowered with 30 employees. The configuration was one inspector, one head of administrative, four administrative employees, and 24 investigators (ibid). During that period:

Figure 10 Investigation Reports And Sanctions Issued from IBI 2005-2009
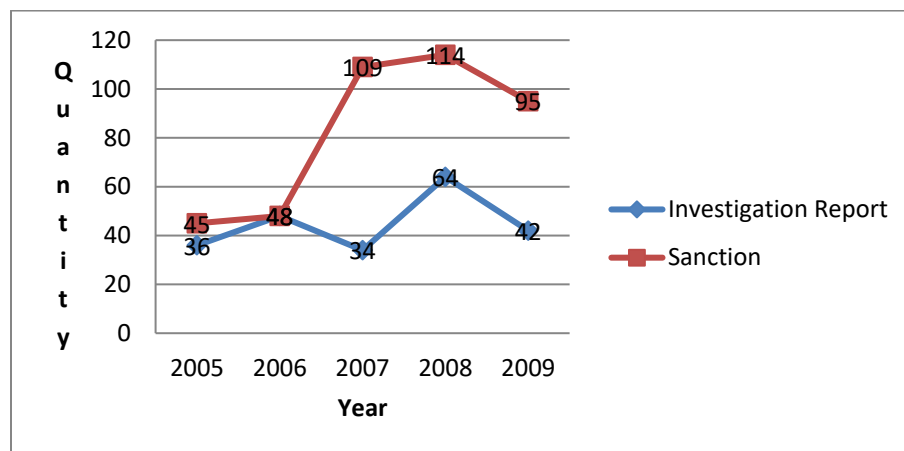
Source: Own construction based on MoF Perfromance Report 2005-2009

As depicted in the chart above, establishment of anti-corruption unit inside MoF brought promising result for the first five years. Although the number of investigation report does not

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[7] Balance score-card is a tools that measure and monitor progress towards strategic targets, online document at http://www.balancedscorecard.org/BSC-Basics/About-the-Balanced-Scorecard

directly reflect the size of actual corruption that occurred, the quantity of investigation provides an overview of IBI's performance. One year after its establishment, IBI was able to complete 36 investigation reports and resulted in 45 employees sanctioned for corruption cases. The relatively low performance may occur because IBI had no sufficient incentives and infrastructure in the beginning. The initial low performance also transpired in KPK, on 2004 KPK only managed to finished 23 investigations and merely two were continued to prosecution (KPK 2009: 27). Moreover, most of the MoF environment considered IBI as "public-enemy". Hence, it resulted in very challenging environment in carrying out its mandates. A key-informant from MoF said:

> *The challenges was so immense for IBI still in its early years, we had not received sufficient incentive and the risk from the job was huge. Pressure were so hard, it came not only from the auditee but also from family. IBI still considered as same as the other inspectorates that can be negotiated and bribed. (Herlambang, 2017)*

In 2005, IBI's employees received additional incentive in the form of special salary-allowance for IBI. In entrenched corruption environment, there must be compensation such as salary raise which are provided for the uncorrupted agent to bear the risk (Persson et al. 2013: 457). Moreover, the well-known ICAC agency in Hong-Kong does pay their employees higher than ordinary public employee to ensure its mandates achievement (Speville 1997 as cited in Meagher 2005: 90). Although the relation between salary incentive and performance was vague, figure 10 shows that there is significant increase in IBI's performance in the year 2007 to 2009 in both axes.

Subsequently, IBI is equipped with eight powers as I mentioned previously. Like other anti-corruption units in the world, extraordinary powers are important to ensure the mandates achievement. Kwok Chung (2009: 7) indicated that ICAC officers in Hong Kong can exercise their power and authorities such as examining bank accounts and restraining property. Additionally, in the scope of ministry, The Netherland Ministry of Finance equipped its internal investigation unit or so-called FIOD with intelligence, investigation, and criminal law power (Hoenderkamp 2016: 94).

IBI's mandates and powers are written in Minister of Finance decree should be able to support its mandates achievement. Still, there were several obstacles for IBI to exercise its power. First was information access. According to Law Number 28 Year 2007 about Tax General Provisions, access to tax-payer information is restricted except for DG. Tax. However, Law Number 17 Year 2003 about State Finance and Law Number 15 Year 2004 about State Financial Audit order Supreme Audit Board and Inspectorate General to undergo external and internal audit respectively.

This regulation conflict already raised and sent to the Constitution Court on 2008 by Supreme Audit Board because its authority in access being restricted but eventually the request was rejected (Ali 2008). IBI was able to ask a permission letter from the minister to gain the access (Firdaus 2009: 118). However, the process may time consuming and eliminate the investigation

momentum. Consequently, IBI's authorities in accessing information were not exercised as written by the Minister of Finance Decree.

Second was the source of the corruption case. IBI's channel for whistleblower was shown to be limited in IBI's office, telephone, short message service and mail (Firdaus 2009: 104). Until 2009 the process of investigation in IBI can be described as following

Figure 11 Investigation Audit Process Overview

Data Source: Own construction based on Firdaus (2009)

According to the previous study by Firdaus (2009: 77), in problem recognition phase, the source for IBI investigation audit was tip from whistleblower. More than 60% of MoF in corruption cases was discovered accidentally and from whistleblower report (Firdaus 2009: 104). Meanwhile, over time the channel for whistleblower was shown to be limited in IBI's office, telephone, short message service and mail (ibid). Hence, there were difficulties in some degree for whistleblower to report a corruption case.

However, in this period IBI existence was giving hope for the MoF in battling corruption. According to MoF Performance Report, investigation audits saved 912 billion rupiah from 2004 until 2008 period. In addition, based on interview from several key-informants, for the first one to two years IBI become "agent of change".

Since the beginning, there are employees who stand against IBI because IBI disturbs their corrupt activities. In other hand, there are employees who support IBI. However, IBI and all of its employees consistently and explicitly refuse any facilities or bribery that offered (Fadjar, 2017)

Since the beginning, some employees stand against IBI because IBI disturbs their corrupt activities. However, in this period IBI brought many perpetrators to be sanctioned. Like the other anti-corruption units in the world such as Hong-Kong and several African countries, the first common effort is to target corrupt individuals (Klitgaard 2000: 26 and Haarhuis 2005). In line with that, IBI also targeted corrupt individuals. The figure 10. shows the number of sanctioned employees peaked at 114 sanctions in 2008.

In this period IBI managed to accomplish what the top management expect in the first mandate from the Minister Decree Number 462/KMK.09/2004. Firdaus (2009) argued that IBI was adequately performing investigation audit to fight corruption within MoF. By optimizing authorities that IBI has, significant numbers of perpetrators were sanctioned.

4.3. Evolution of IBI Since 2004

Since 2004, IBI has encountered various challenges. Nevertheless, the activities resulted in positive progress regarding corruption eradication within the MoF.

Figure 12 Tips, Investigation Reports, and Sanctions Issued from IBI 2013-2016
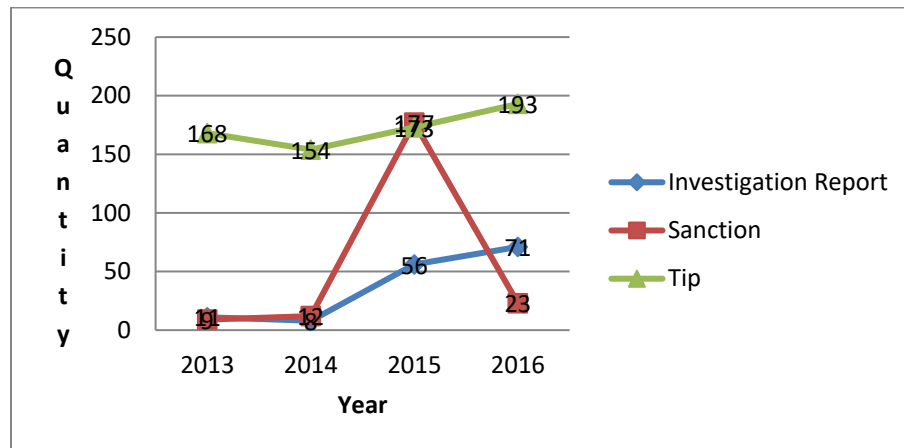
Source: Own construction based on MoF Annual Performance Report 2013-2016 and Whistleblowing System Report 2013-2016

During this period, several enhancements have been implemented. As the chart showed, the number of investigative audits significantly increased from the previous 2004-2009 period chart. Ardityasari (2015: 66) argued that MoF has incorporated principles of good governance to counter corruption issue since 2004 and IBI is one of the ministry bucket lists. There are several measures for corruption issue that have been tried worldwide such as increasing accountability among government officials through assets disclosure; improving public administration through civil service improvement; raising public awareness; and establishing "watchdog" agencies (Bhargava and Bolongaita 2004: 26). In line with that, three significant specific initiatives empower IBI. They are new employees' recruitment, affidavit system, and whistleblowing system. In this period, IBI targets not only corrupt individual but also, more importantly, the system.

As the chart above showed, the number of tips is increasing annually since the implementation of Whistleblowing System. Although IBI consistently "hunt" perpetrators, in this period there is also improvement in the way to combat corruption. The collective-action model assumed that it is difficult to act impartially in an environment with systemic corruption (Schulz 2014: 15). IBI developed several other instruments to exercise its mandates.

4.4. Specific Initiatives

4.4.1. The Affidavit System

First is affidavit[8] system or Laporan Pajak-Pajak Pribadi / Daftar Harta Kekayaan (LP2P/DHK). This system was introduced through Ministry Decree Number 7/KMK.09/2011 about Submission and Reporting of LP2P/DHK. The ministry decree obliged all employees and officials to report their personal taxes and assets to Inspectorate General.

In the LP2P/DHK system, IBI holds the role in conducting assessment and researching the affidavit. Furthermore, IBI is also ordered to report further assessment and research result to the Minister. Hence, Minister of Finance and Inspectorate General have short-listed employees with extraordinary wealth.

In 2011, when the system initially launched, Inspectorate General administered 36.000 affidavits. The number is growing annually and in 2013 the report system went online. Therefore, IBI has an obligation to examine the result from the administrative action. Consequently, Minister of Finance has the database of personal taxes and assets of MoF employees which can show irregularities in assets possession from MoF employees. For instance, it is impossible for a low-level MoF employees to have several houses and luxury cars. Moreover, this database is being used to assess the employee integrity level by comparing the payroll and the assets that they have. Furthermore, this database is also being used as consideration for an employee to be promoted or not.

This affidavit system depicts IBI's power in information collection. The assumption from this system is if MoF employees declare their asset, then IBI would have a large database of MoF's employees' asset and financial information. Therefore, IBI can detect irregularities regarding MoF employee's asset ownership. It will support investigation audit because investigators need them as supporting evidence. By the same token, the employees who declare the assets would feel being monitored by IBI. Hence it may suppress their motivation to corrupt.

4.4.2. The Whistleblowing System (WISE)

Second is whistleblowing system. On 2011, MoF launched Whistleblowing System (WISE) as a complaint channel regarding corruption issue in MoF (Ardityasari 2015). This system was developed because in 2010 there was a massive corruption case by tax officer named Gayus Tambunan that lead to people distrust to MoF (ibid). Sri Mulyani, as the Minister of Finance at that period, suggested that MoF urgently need an early warning system that alerts the ministry before the cases spread outside the ministry (ibid). The system should be complaint channel (website, email, SMS, telephone, mail, or direct report) which easily accessed, followed-up, and monitored (ibid).

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[8] Affidavit is a statement of asset disclosure

Figure 13 Number of Received Tip/Report/Complaint in WISE 2013-2016 and Source
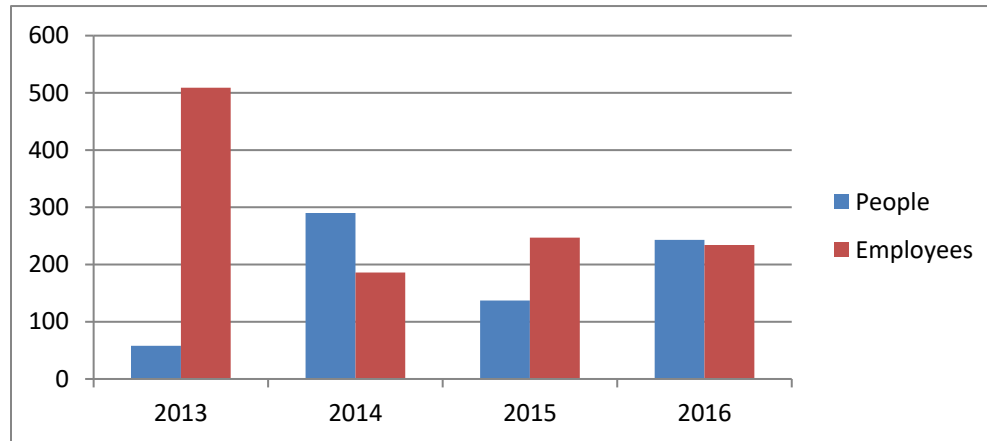
Source: Own construction based on MoF WISE annual report 2013-2016

Figure 13 shows that in the early two years of WISE establishment, the received tip peaked at more than 500 tips. However, it is dominated by inside sources which are MoF employees report. Eventually, in 2016 the proportion of whistleblowing tips from internal MoF and external MoF are balanced. This progress shows that WISE is perceived positively not only inside MoF, but also outside MoF. People awareness and participation in combat corruption in MoF are improving.

The assumption of this initiative is if whistleblower reports any tip regarding corruption, IBI will have greater chance to identify corruption in MoF. Furthermore, this system not only becomes preventive to corrupt action, but also become people-monitoring tools for MoF. People can monitor MoF activities by using this WISE system. Therefore, this system fulfills IBI's mandate in promoting anti-corruption action.

4.4.3. Safeguards in IBI's Recruitment System

Third is employees' recruitment. According to the interview[9], from 2013 to 2016 two recruitments are held by IBI. The legal basis of the recruitment process is Inspector General Regulation Number PER-02/IJ/2016 about Recruitment Process Guidelines for Inspectorate of Investigation's Employees. Since the first recruitment, IBI maintains the integrity level of its prospective employees through tight prerequisite and test. This process is kept on going until 2016 when IBI has 54 employees (ibid). The assumption of this recruitment is if IBI's succeed to get qualified employees, then IBI's would be able to complete all of its duties.

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[9] Interview to Former IBI Head of Administrative, Mr. Arief Rofiadi and IBI Head of Administrative, Mr. Mardiyantoso Eddy Tarman

In the study by Olken and Pande (2011: 36), corruption is adaptive to anti-corruption policies in short run, medium run or in the long term. Therefore, new-approaches, new-methods, and even new-people are needed. In resonance to that, regeneration will preserve the value and norms of anti-corruption in IBI. Meanwhile, according to the interview[10], several senior employees in IBI were periodically promoted to another unit.

Meanwhile, there are indications that interest from MoF i.e. Inspectorate General's employees to join IBI decrease. According to the interview[11], there were lesser applicants in every IBI recruitment. It might be because of the imbalance between incentive and workload in IBI.

These all three initiatives depict policy action taken by IBI to achieve reduced corruption level. Employees will start to be more afraid to act corruptly because they already obliged to disclose their entire assets through LP2P/DHK system, so they relatively do not have anything to hide. Furthermore, whistleblowing system increases the probability for culprits to get caught. Corruption is mostly conducted by 2 or more people, so culprits will feel being watched all the time. Lastly, tight and selective recruitments create qualified employees input which influential in shaping IBI institution.

These policy actions help to build new norms and values regarding corruption eradication. In the environment with corruption as pluralistic norms, which in different form of corruption but still in relatively same government institution, breakthroughs are needed. According to Sissener (2001), a private versus public value and norms conflict will support corruption existence.

Now that we have done with Chapter 4 analysis about the evolution of IBI and the three new initiatives, in the next chapter this paper will assess IBI by using capacity framework. This paper will later get back to recruitment and incentive matters on Chapter 5 when The Capacity Framework applied. These three specific initiatives will later assess in more detail in Chapter 5.

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[10] Interview to Mr Herlambang (Head of General Affair Division) and Mr Carolus Agus Trushayu
[11] Interview to IBI Head of Administration Mr Mardiyantoso Eddy Tarman

Chapter 5:

Assessing IBI's Performance

Now that we have figured the evolution of anti-corruption unit in MoF i.e. IBI, I will now present the determinants for IBI in performing their duties. Hence, I will structure several steps to identify those underlying factors. First, I will analyze the IBI organization by using capacity framework by Grindle. Second, I will compare the result from the capacity framework analysis with the fieldwork result from IBI including the evolution of IBI in the previous chapter. Lastly, I will highlight some concepts and studies from Chapter 2 to support my findings.

5.1.   IBI and Its Capacity

This study defines capacity regarding capacity of an organization to deliver quality service as their clients expect (Imbaruddin 2003: 103). The capacity gap can be identified if there is a gap between expectations as stated in the mandates and stakeholders perceptions (ibid). This study investigates how is IBI in executing its mandates – which is relatively successful as the survey result. I present my data as follow:

Figure 14 IBI General Performance
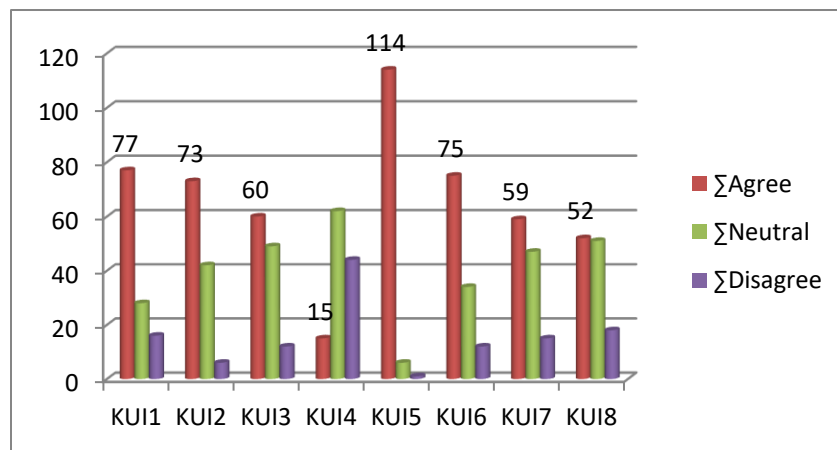
Data source: Survey's Outcomes

Information : (KUI = Kemampuan Umum IBI or IBI General Performance)

Criteria	
Code	IBI's General Performance
KUI1	MoF employees know about IBI duties and obligations
KUI2	IBI carries out its duties and obligations as its mandates in Minister of Finance Decree
KUI3	IBI presence reduce corruption action in MoF
KUI4	IBI presence contra-productive with MoF performance
KUI5	MoF employees know about Whistleblowing System to channel irregularities report
KUI6	MoF Whistleblower identity will be concealed by IBI
KUI7	All the tip and report from whistleblowers will be followed up by IBI.
KUI8	Whistleblowers will be protected from threats, material loss, or blocked in term of reporting irregularities in MoF

Based on the survey result above, most of the respondent answered that IBI runs its duties properly. All eight indicators, are pointing that IBI performs adequately.

After having the people perception of IBI general performance based on the survey result, this paper will continue to analyze IBI by using Grindle and Hilderbrang (1995) capacity framework lens. This paper will investigate the internal and external factors that determine the capacity of IBI. External factors refer to action environment, public institutional context, and task network (Imbaruddin 2003: 243). Meanwhile, internal factors are organization and human resource (ibid).

As Grindle and Hilderbrand (1995: 446) mention, there are five dimensions of capacity from an organization. This study investigates what factors are influenced IBI in operating its mandates specifically the capability of its overall capacity to undergo mandates.

5.1.1. Action Environment

Action environment dimension can hinder the capacity of a government organization (Grindle and Hilderbrand 1995: 445). In the economic factors of MoF and corruption, there is support from international organizations such as World Bank and IMF to fight corruption (Boorman and Hume 2003). The anti-corruption program is included in every loan agreement, and there are also trainings on anti-corruption for the public employees (World Bank 2004).

Subsequently, from political factors there is relatively continuous leadership supports from top officers regarding fighting corruption. According to the interview, during the inception of IBI in 2004, there was support from the central government through training cooperation with TIGTA. Moreover, former President Susilo Bambang Yudhoyono had put special concern for the MoF in DG. Tax after the of Gayus Tambunan case (Nababan 2016). In addition, MoF established the Whistleblowing System for MoF in 2011 (Ardhityasari 2015: 68).

5.1.2. Public Sector Institutional Context

In the public sector institutional context dimension, an organization performance is influenced either informally or formally (Grindle and Hilderbrand 1995: 447). Formal or informal influence can be identified through a relative degree of accountability (Imbarudin 2003: 136). For instance, ICAC directly accountable to the governor of Hong-Kong (Klitgaard 2000: 20). Another example, FIOD is accountable to Minister of Finance. Hence, this paper investigates how accountability influences the anti-corruption unit. Romzek and Dubnick (1987: 228) argue that the existence of an internal or external authoritative actor is shaping the accountability of a public organization.

Minister of Finance Decree Number 302/KMK.01/2004 stipulates that IBI is an echelon two unit, led by an Inspector of Investigation under Inspectorate General. Hence, by definition, IBI is accountable to Inspector General. Inspector of Investigation holds a crucial role in IBI.

Therefore, Inspector of Investigation, is regarded as an existing internal authoritative actor who is an influential factor in shaping the accountability of IBI. Furthermore, Inspector General and Minister of Finance considered to be the external authoritative actor are also prominent.

This public institutional context section assesses IBI's stakeholders' role. According to ODA (1995: 3), stakeholders' analysis would able to identify the actors plus their interest, assess power and importance, and analyze the risk and assumption that can affect the program. Inspector General has high importance to IBI because as a leader of internal audit unit, IBI's performance obviously affects Inspectorate General's performance. Meanwhile, Minister of Finance has a high influence to IBI through the policy provided.

> *Although the support seemed to be downsized in the previous period of the current minister, IBI has support from all of the Minister since the beginning (Fadjar 2017).*

Other organizations, for instance, KPK, PPATK, National Police, and Attorney General Office also have influence and power due to financial information and case delegation from IBI (Firdaus, 2009).

5.1.3. Task Network

Task network is a set of organizations (primary, secondary, and support organization) involved in accomplishing any given task for an organization (Grindle and Hiddlebrand 1995: 447). In the context of IBI, the primary organization is Ministry of Finance because of most of the IBI activities depend on the policy of the other directorate generals in MoF. For instance, IBI's budget is under DG. of Budget, IBI's expenditure is under DG. of Treasury, and IBI's administration is under Secretariat-General (Firdaus, 2009). Furthermore, Minister of Finance, as the top leader of MoF, is holding high influence for IBI performance. According to key-

informants[12], there are several IBI's essential stakeholders. They are Minister of Finance, Inspector General and MoF employees itself. Next is secondary organizations which are KPK, National Police, and General Attorney. These organizations are receiving case delegation from IBI or vice versa. Lastly, supporting organization is PPATK. Beside internal information from affidavit report within MoF, IBI also relies on PPATK regarding financial data. PPATK plays a role as source for IBI for instance account information or financial transaction information from MoF employees. IBI's communication and coordination to these organizations often affected IBI's performance as Grindel and Hiddlebrand (1995) mentioned.

5.1.4. Organization

As cited in Imbaruddin (2003: 214), Grindle and Hiddlebrand (1995) argued that there are several determinants of organization that may influence the capacity. The determinants are as follow:

Goals

In the context of IBI, first, the goals are stated in the Minister Decree Number 462/KMK.09/2004. According to the decree, its stated that IBI is established to undergo investigation audit and promote anti-corruption wave in MoF. Furthermore, the organization goal is the merit base for employees' performance measurement system so-called Balance Scorecard (Firdaus 2009). These stated and formal goals are important for the organization's success because it guides the people within the organization to perform their task and responsibilities (Zeithaml et al. 1990: 83).

Structure of Work

Thereafter, the structure of work is an influential factor for the capacity of an organization. In Imbaruddin (2003) study of Local Government in Makassar, Indonesia, he argued that less hierarchical type of government inclines to be more successful than the hierarchical one. In line with that, Zeithaml et al. (1990: 105) suggested that involving staff in organization's important issue and decision making makes them more innovative and adaptive. According to interview[13], IBI's structure is relatively less hierarchical because. As mentioned previously, by definition IBI is dominated by investigators who are functional auditor. There is less wall of communication between inspector of investigation, coordinators, chief, and investigators.

Incentive System

Public employees value promotion and higher earnings, so to motivate them payroll and promotion are essential (Nunberg 1992 in Imbaruddin 2003: 234). KPK in Indonesia also applies high-salary and merit-based performance measurement for their staff to achieve organizational

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[12] Interview to IBI Head of Administrative Mr Mardiyantoso Eddy Tarman
[13] Interview to former IBI Head of Administrative, Mr. Arief Rofiadi

goals (Bolongaita 2010: 26). Furthermore, as mentioned in chapter 4, ICAC also applies the same method when it started (Speville 1997 as cited in Meagher 2005: 90). As mentioned before, IBI's investigators receive higher salary than the other Inspectorate General employees. However, an interview[14] revealed that there is indication that financial incentive provided in IBI is lesser than the others unit. Although IBI's employees have higher level of salary, the real take-home pay they received is much smaller than other auditors with lower job risk.

Management/Leadership

Then the management/leadership also holds crucial role in capacity. According to Zeithaml et al. (1990: 72), management commitment (as well as leadership) is needed to increase the organization performance. key-informants[15] reveals that although there are changes of individual who holds the position of Minister of Finance, Inspector General, and even Inspector of Investigation, the commitment to battle corruption is still high. Albeit there are differing leadership styles, they do not significantly affect the performance and more importantly the spirit to fight corruption in MoF.

Physical Resources

One of the anti-corruption measures worldwide is improving public administration and public finance quality (Kauffman 2000 as cited in Bhargava and Bolongaita 2004: 26). Phillips (1991: 230) argued in his study that poor service in Nigerian Federal Civil Service resulted from inadequate infrastructure, offices, equipment, and even primary working materials such as paper, pencils, and pens. In the IBI context, physical resource is sufficient according to the interview[16]. Moreover, Whistleblowing System and affidavit system that handled by IBI should not have run well if the physical resource is not sufficient.

Communication

Good communication between staff in an organization is vital because coordination and teamwork depend on it (Zeithaml et al. 1990: 117). A cohesive group of staff would guarantee the success of an organization in achieving its goals. Correspond with that, as mentioned in Chapter 4, most of IBI investigators and administration staff come from the same academy which is STAN and the same graduate class. It affects the horizontal communication smoothness because they already know each other before. Consequently, the tension rate among colleague within IBI is minimum and good communication occurred.

Organizational Culture

Anti-corruption agencies worldwide work with integrity culture. The way to shape an anti-corruption organizational culture is by shaping the staffs inside the organization. In Chapter 4, it was mentioned that organizational culture is easily transferred to recruits. Moreover, IBI's

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[14] Interview to IBI Head of Administrative Mr Mardiyantoso Eddy Tarman
[15] Interview to Mr. Luki Fadjar and Mr. Aris Widodo
[16] Interview to Mr. Herlambang, Mr. Arief Rofiadi

employees are selected on a base of certain level of integrity and competitiveness. A similar procedure is applied in KPK, highly selective and transparent recruitment system would ensure the level of integrity and professionalism (Bolongaita 2010: 17).

Technical Support

Technical support is about outside supports for IBI. For instance, PPATK provides financial data of perpetrators for IBI to develop its investigation. According to Firdaus (2009), PPATK provides account number, colleagues and relatives, money transfer, amount of saving, and other financial information. Another example is KPK support in investigation technique through joint training. According to Ardhityasari (2015: 72), The WISE by IBI was inspired by KPK's whistleblowing system. Knowledge of KPK's whistleblowing system was transferred to build IBI's WISE.

In addition, regarding training, IBI also supported by international donors when it's established. As mentioned in Chapter 4, World Bank provides training for IBI in its early period. Furthermore, IMF through TIGTA also provide technical training regarding curbing corruption and investigation technics.

5.1.5. Human Resources

According to Grindle and Hiddlebrand (1995: 446), human resource dimension consists of four aspects as follow:

First, recruitment of suitable employees is a process through which an organization seeks a candidate for a potential position based on their skills, knowledge, abilities, and any other characteristics (Noe et al. 1965 as cited in Imbaruddin 2003: 244). This input of employee is decisive regarding helping the organization to achieve its goals. Every successful anti-corruption agency worldwide, i.e., KPK and ICAC applied a strict and rigor recruitment system (Bolongaita 2010; Kwok Chung 2009). On the other hand, failure cases like Philippines and Kenya showed that failed to provide sufficient recruitment system for the public organizations (Bolongaita 2010; Catlett and Schuftan 1994). In the context of IBI, as explained in chapter 4, IBI's recruitment system applied a certain level of integrity and technical qualification. At present, in terms of quantity of personnel, IBI employs 57 investigators and staffs. This number shows an increase of personnel from 30 employed at the beginning. The quality of IBI staffs, which are the result of the recruitment system, sufficiently support IBI to achieve its goals. Moreover, by applying the system IBI avoids issue such as overstaffing that usually happen in public sector when there is too many support staff compare with qualified personnel. Also, this study shows that in IBI, by implementing the system, it also avoids with un-fair (patronage) issue in recruiting staff.

Second is utilization of staff. How management utilize its staff is important to maintain the productivity of the staff itself (Grindle and Hiddlebrand 1997 as cited in Imbaruddin 2003: 253). In the context of IBI it is relatively busy along the year, even after the Whistleblowing System implementation. The increasing number of tips and complaints are received and need to be analyzed. As mentioned in the previous chapter, the process of dealing seriously with one single case of investigation is quite long. These activities are laborious and time-consuming. On the other hand, an under or un-utilized staff not only demotivate individually but also ultimately put IBI's goals into risk. Furthermore, according to Imbaruddin (2003: 252) un-utilized staffs may result from misplacement of the staff which expertise and job description do not match. The same study also implies that employees believe if they are using their talent and expertise which is meaningful for the organization, will be more motivated.

Third, retention of (good) employees is a serious problem when skillful staff leaves an organization to find higher salary or better incentives and prospects. According to Imbarudin (2003: 256), the public sector in many countries experienced brain drain issue which skillful public employees move to private sector for a better living. Nevertheless, in developing country like Indonesia where public sector considered providing a promising future, this issue is not significantly influenced public sector capacity. In the context of IBI, brain-drain issue is not significantly influenced its capacity.With its all of its incentives, IBI relatively success to retain its staff. There is still no IBI's employee who leaves IBI due to work risk or being alienated by their colleagues in the office. Even if there were employees left IBI, there were because of several promotions to "higher" position, the regeneration process still maintain IBI stability.

Lastly, training is a systemic process to develop skills, knowledge, and attitudes from an employee to be able to perform adequately for the organization (Armstrong 1997 as cited in Imbaruddin 2003: 259). Training is designed to improve organization capacity through empowering its staff. According to Imbaruddin (2003), aid donors include training component into their development project as primary ingredient to build capacity. Meanwhile, this training component is mutualism symbiosis between donor and recipient. Donors deploy their experts and trainers to fulfill the project. On the other hand, recipient countries received knowledge and increased skill. Moreover, Imbaruddin (2003: 26) argued that in his study in Makassar Municipality, generally, training is a tool to improve organization capacity through increasing employee skill and knowledge, but today training is being used by the public employee to aim position or promotion. In the context of IBI, training often becomes tools to improve investigators skill and knowledge. According to an interview[17], training in IBI is already sufficient, and after accomplishing an investigation usually, an investigator will join training in between two investigations. According to Firdaus (2009), IBI is dominated by investigators who directly accountable to Inspector. Meanwhile, IBI has limited structural positions. Hence, training is hardly become tool for chasing position.

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[17] Interview with Mr Luki Fadjar and Mr Mardiyantoso Eddy Tarman

5.2. Identifying and Understanding IBI's Dynamic

5.2.1. Applying The Principal-Agent Approach

It was explained already that IBI in its early years targeted corrupt individuals. Top management of MoF at that time agreed that inside its organization corruptions are ubiquitous. Furthermore, international donors, i.e. World Bank and IMF prioritized MoF to be clean from corruption, collusion, and nepotism. In the Chapter 4 mentioned that IMF provided IBI with training and education regarding investigations audit in its early period. The training was facilitated by TIGTA and IMF. Hence, this phenomenon replicates Persson et al. (2013), Meagher (2007), and Schulz (2014). The studies argued that common logic for anti-corruption and anti-corruption efforts for most developing countries followed principal-agent theory.

Minister of Finance delegates some of the minister authorities to subordinates. Then, subordinates may acquire specific information that the Minister does not know. Subordinates use this for their private benefits and keep it as secret from the Minister. Hence, Minister has less information than the subordinates which result in information asymmetry. Corruption occurs when agents use this to "betray" their principals (Persson et al. 2013). As cited in Persson et al. (2013: 452) Klitgaard (1988); Rose-Ackerman (1978); and Williams (1999) argued that The fundamental assumptions of corruption are a goal-conflict exist between principal-agent and infromation asymmetry.

All subordinates in MoF assumed to be corrupted. Based on my survey, the result as follow:

Figure 15 Vulnerable Unit in Terms of Corruption
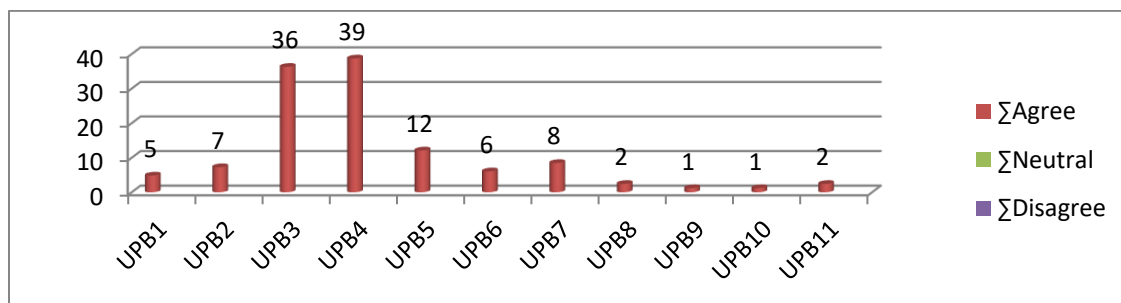
Source: Own Construction

Information : (UPB = Unit Paling Berisiko or The Most Vulnerable Unit)

Code	Unit
UPB1	Secretary General
UPB2	Inspectorate General
UPB3	DG. Taxes
UPB4	DG. Custom and Excises
UPB5	DG. Budget
UPB6	DG. Treasury
UPB7	DG. State Asset
UPB8	DG. Fiscal Balance
UPB9	DG. Financing and Risk Management
UPB10	Fiscal Policy Office
UPB11	Financial Education and Training Agency

Furthermore, my survey result showed that DG. Taxes and DG. Custom and Excises assumed to be the two most vulnerable unit in MoF in terms of corruption. They outscored the other nine echelon 1 within the MoF.

If we apply the perspective of principal-agent theory, the problem is assumed to be related to agents. The principal is believed to be victimized by the agent betrayal. Minister of Finance does not have complete and detail information as the subordinates. The structural organization within the MoF, as explained in Chapter 3, replicates Weberian hierarchical type of bureaucracy. The top leader delegates its authorities and supervises the subordinates. Minister of Finance delegates to 11 echelons 1 unit and supervises. Furthermore, 72.490 employees make the span of control wide. Eventually, the risk of information asymmetry and corruption become higher.

To fight corruption, initialy IBI targeted corrupted individuals. This action resulted in culprits within the MoF sanctioned and dismissed from the corps in IBI early years. The result quickly spread and made the common corruption model within MoF changed. According to an interview[18], at that moment IBI able to suppressed the corruption level because perpetrators would think twice before executing their actions.

> *Even in Inspectorate General, auditors were used to receiving "uming"(Uang Mingguan) or "weekly money" from their auditee when they audit an office (Herlambang 2017).*

The internal auditors were infected with the corruption virus at that time, and the other echelon 1 units were even worse. The corruption was an open secret issue and it is inevitable for all MoF elements. Post IBI establishment, corruption was no longer contested where most employees perceived it as standard process in bureaucracy. The corruption became more silence and conducted in small groups. However, people still recognize this "informal institution" where tax

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[18] Interview with Mr. Herlambang

officers need to be bribed to reduce tax sanction, speed money needs to be provided to accelerate customs clearance process, or even gratitude money need to be given to auditors after an audit process.

On the other hand, this principal-agents approach which was proposed by Klitgaard (1998) C=M+D-A seemed misleading at this current moment. First, it is assumed that monopoly has to be reduced to fight corruption. Hence, higher decentralization within bureaucracy should be implemented or outsourced several government services. Those two initiatives would create competition in government service. Nevertheless, putting competition does not always suppresses corruption. Sometime, in corrupt government society, officials will compete to offer most attractive opportunities for their service users. Second, it is assumed by reducing discretion then corruption would decrease.

Providing clear regulation would minimize official's discretion. Sometimes too much constraint to official's discretion would result in too many officials bend or ignore the rules and it worsens the corruption issue. Lastly, increased accountability means less corruption. At this moment, too much accountability to officials may create pressure for them to not make any mistakes. The pressure of hyper-accountability creates incentives for them to enrich themselves as much as possible before something terrible happened. Moreover, too much accountability only lead to more hierarchical government which increase the control span and at the same time increase the risk of corruption.

5.2.2. Collective-Action Approach

This paper argues that we can see a change in the IBI operation over time and that the second phase of IBI evolution can be better understood by applying the collective-action model, rather than the above principal-agent perspective

Although the structure of MoF does not change, the principal-agent model to fight corruption seems no longer applicable. Corruption evolves and becomes systemic. As argued in Schulz (2014: 15) that it is impossible for any actor in a systemically corrupt society to act as "principled-principal". Illicit income and a strong network are hard to resist. Furthermore, social punishment and alienated from the environment are the result to whom try to act fairly. A key-informant[19] stated that becoming whistleblower is in high risk to get alienated. Those informal rules, reward, and punishment enforce the norms and value of corruption (de Wit 2017). Hence, few actors can bear the consequences to be not corrupt. The incentives to act corruptly are immense. The money and privileges of being corrupted are tempting. On the other hand, the punishment for being corrupt is not adequately exercised. Hence, people would think being corrupt is just okay. If it repeatedly applied, it will shape the corrupt behavior of the employees and eventually create an organizational culture. Moreover, institution as norms and values are

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[19] Interview with a former whistleblower, Mr. Merzi Umas

structuring and enabling people behavior. Corrupt institutions impose pressure on other people and creating incentives to comply with the corrupt institutions.

Seen this way, it seems better to apply the collective action models of corruption as Schulz (2014) had argued. People act corruptly because neither they morally approve the corrupt value nor do not understand the negative consequences for being corrupted (Persson, 2013: 457). Because as long as they perceive the short-term benefits of corrupt behavior are higher than the cost (ibid). Therefore, anti-corruption policy approach needs to break this collective action model. Employees need to be assured that consequences of being corrupted are applied.

Figure 16 MoF Anti-Corruption Initiatives
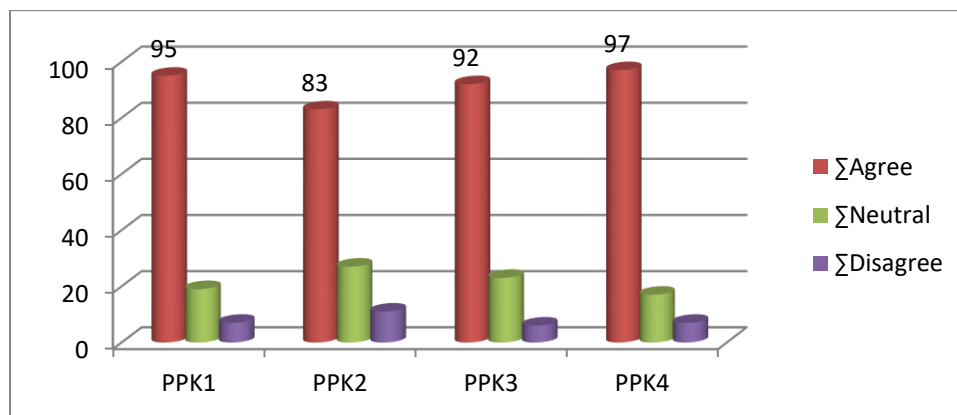
Data source: Own Construction

Information (PPK = Program Penanggulangan Korupsi or Anti-Corruption Initiatives Program):

Criteria	
Code	**Anti-Corruption Initiatives Program**
PPK1	Sistematic audit and corruption identification are having significant impact in corruption eradication in MoF
PPK2	Anti-corruption code of ethic and values are having significant impact in corruption eradication in MoF
PPK3	Whistleblowing system and internal control unit are having significant impact in corruption eradication in MoF
PPK4	Adequate reward and punishment mechanism are having significant impact in corruption eradication in MoF

The chart shows that most of the respondents agreed that anti-corruption initiatives issued by MoF had impacts to minimize corruption within the MoF. As explained in Chapter 3, MoF developed anti-corruption program that comprises integrated programs from prevention until reward and punishment mechanism. IBI, as part of the program, implemented affidavit system

and whistleblowing system. These actions brought positive result as shown in the graph in Chapter 4.

Affidavit system or LP2P/LHKPN system provides database of personal asset of MoF employees. Employees with significant assets and wealth would easily be detected and are suspected to be result of corruption if they are unable to explain how they manage to have such a tremendous asset. Meanwhile, whistleblowing system or WISE provide channel to report any irregularities and corrupt action that is conducted by MoF employees. Employees would think twice before conducting corruption because they realize that there is a system that allows their surroundings to directly report their corrupt action. This system would minimize the culprits to exercise their actions.

5.3. Assessing The Success Factors

Several studies of ICAC and FIOD reveal success factors for anti-corruption agency worldwide. To develop deeper understanding, this paper analyzes IBI's theory of change. I probe IBI's organization by using Grindle's (1995) capacity framework and changing approach to curbing corruption. This study argues that there are indeed several determinants influencing IBI's performance. Drawing from the theory of change, this paper discusses that international donors and high ranked officials were brought over IBI. Then, capacity framework analysis shows that internal dimension such as organization dimension and human resources also influential. Hence, what could account for the good performance from IBI?

5.3.1. Political-Will

As mentioned above, IBI's legal basis is a Minister Decree. The decree comprises mandates, function, and powers that IBI has. It has not changed since the beginning.

> *The Minister Decree Number 462/KMK.09/2004 is IBI's sacred book that underpin every action of IBI. It was composed by MoF leaders and qualified officials at that time. It contains functions and authorities that IBI exercise. (Mardiyantoso 2017)*

The decree was born because there was a strong will from the top leaders in central government and inside MoF as well as there was pressure from the international donors to curb corruption in Indonesia more specifically in MoF. The will was supported by MoF "political settlement" that cohesive. The cohesive political settlement is important to determine the success or failure of an anti-corruption agency (Schulz 2014). Moreover, tax and customs issue, which are sensitive to corruption worldwide, are under MoF. These two matters required strong institution to set the rule of the game inside the organization. Hence, a robust will from the leaders create a strong institution inside MoF regarding fighting corruption.

Unlike the other ministries in Indonesia, MoF is blessed with relatively "free" from political interference until present. Two different presidents (Mr. Susilo-Bambang-Yudhoyono and Mr.

Joko-Widodo) from a different period of presidency mentioned that MoF should lead by professionals' minister, not politician.

> *Ministries that should be handled by professionals such as Ministry of Finance, Ministry of State Owned Companies, Ministry of Energy and Mineral Resources, and Ministry of Agriculture (Joko Widodo 2014)[20]*

> *I choose Mr. Chatib Basri as Minister of Finance based on his education and capable experiences (Susilo Bambang Yudhoyono, 2013)[21]*

These less fragmented political settlement inside MoF, which is away from politician interference, are giving MoF to implement anti-corruption policies. The political-will to combat corruption seems to move in a strong wave. Several programs were designed to fuel the anti-corruption movement. As mentioned in Chapter 3, those are under the umbrella of MoF Anti-Corruption Program. Reward and punishment through employees' payroll, performance assessment for employees, code of conduct enforcement, and monitoring are several of them.

The spirit to gradually clean the MoF from corruption is fueled by the leaders. Affidavit system and Whistleblowing system are two examples of initiative in combating corruption. As mentioned in Chapter 4, employee promotion uses integrity as one of consideration. Hence, database from affidavit and whistleblowing system of MoF are being used in employee's promotion system. These efforts show that MoF is trying to weed-out low integrity employees from holding an important position within the organization.

The minister decree bestows IBI with several powers. Those powers allow IBI to undergo investigation within the MoF organization. It shows that top management of MoF give trust to its anti-corruption body and has strong commitment to fight corruption. Although some hurdles still exist regarding exercising the authorities, the commitment from the minister and director generals are cohesive.

5.3.2. Human Resources

As explained in human resource dimension in capacity framework above, the quality of the investigators is reliable and accountable. A good quality employees will positively contribute to organization in exercising its mandates. Like much other success story from anti-corruption bodies worldwide such as ICAC, FIOD, and KPK, human resource is influential (Kwok Lung 2008, Hoenderkamp 2016, Bolongaita 2010). Although the numbers of applicants are decreasing in the last recruitment, the attractiveness to become part of IBI is still there.

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[20] The statement was covered by national news portal Tempo
 https://nasional.tempo.co/read/607165/jokowi-menteri-keuangan-dari-profesional
[21] The statement was covered by national news portal Tempo
https://bisnis.tempo.co/read/481698/sby-pilih-chatib-basri-sebagai-menteri-keuangan

Figure 17 MoF Basic Capacity Perception
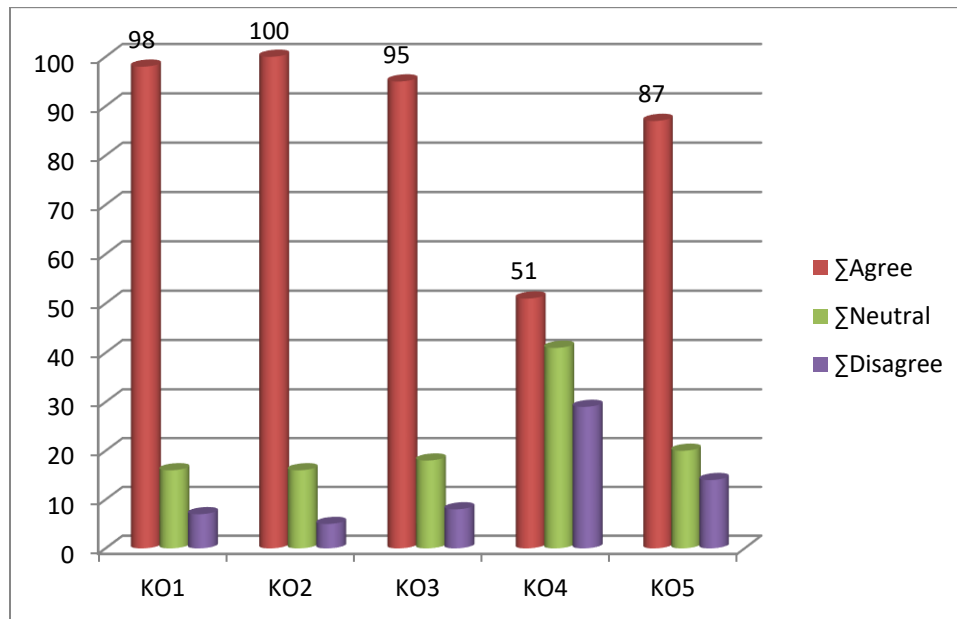
Source: Own Construction based on the survey-result

Information (KO = Kapasitas Organisasi or Organization Capacity):

Criteria	
Code	**MoF Basic Capacity**
KO1	MoF bureaucracy system already measurable, transparent, not complicated, and accountable.
KO2	MoF supporting infrastructures already adequate to support the business process
KO3	MoF employees education level already adequate to support the business process
KO4	MoF employees already adequate in number to support the business process
KO5	MoF Information and Communication Technology (ICT) usage already adequate to support the business process

The chart above shows whether MoF already managed to fulfill basic needs for their employees for IBI to exercise its mandates. Based on the survey result, it indicates that MoF already managed to fulfill basic capacity to undergo anti-corruption program. All indicators show that most respondents agreed with the statement.

Firstly, it indicates that MoF bureaucracy system is measurable, transparent, not complicated, and accountable. The implementation of Balance Scorecard to measure performance, implementation of Standard Operating Procedure, and implementation of Code of Conduct create

supportive environment for IBI to perform well. Corruption flourishes in an uncertain environment, so such a clean environment would minimize corruption. Secondly, infrastructure is already sufficient. Phillips (1991) argued that Nigerian government failed to perform well because of insufficient infrastructure. In the situation that is lacking may trigger corrupt action.

Thirdly, education level is adequate. Education level is important because MoF duties require good understanding of financial knowledge. An incapable employee may mislead MoF stakeholders and more prone to be corrupt. Fourth, MoF already has the sufficient number of employees. Although the common situation for public sector organization is over-staffed, a hasty conclusion from this statement may be misleading. A lack of employee would create an over-worked environment. In this situation, employee may justify his corrupt action because the workload is to be too much. Lastly, implementation of sufficient ICT would reduce direct contact between officials and people.

Meanwhile, within the organization, IBI has a clear goal to achieve. This purpose is translated and perceived very well by the employees. As mentioned by Zeithaml et al. (1990: 83), a clear goal and clarity provided to the employees would give significant support for the organization to reach its goals. IBI conveys its goals to all its employees. Fighting corruption is institutionalized within IBI. Moreover, organizational culture within IBI itself upholds values of integrity and anti-corruption. Hereafter, the structure of work within IBI is less hierarchical. In fighting corruption, which are evolving overtime and each of case requires different treatment, cooperation is important. Inside IBI, investigators with different level of ranks easily brainstorm and discuss to solve a case. Communication pattern is more fluid and intense. Monitoring of performance is conducted not only by the Inspector of Investigation but also by the Inspector General and Minister. This happens because corruption issue is sensitive among public sector in Indonesia, so top management needs updates of information more often.

Subsequently, the incentive system is also a determinant factor. A financial incentive package would motivate investigators to exercise its duties with integrity and accountability. Simultaneously, it would put investigators more confidence and bold to fight corrupt employees. As mentioned in Chapter 4, financial incentive is not the only thing. The incentive in the form of promotions is also given to certain level employees. Finally, the leadership of the inspector is also decisive. A leader needs to monitor his subordinate and makes sure they are on the right track. In IBI, it is easier to regenerate investigators and staffs than regenerate an Inspector of Investigation.

> It is not easy to lead an organization, bridge two level of top management, an Inspector General and a Minister, and accommodate them at the same time for many sensitive issues (Mardiyantoso 2017).

Chapter 6:

Conclusion

Until today, there is no study about corruption that has full and convincing answered how an anti-corruption agency could reduce corruption effectively. However, several reasons appear in most such studies. An anti-corruption agency must have the support of governments as shown in consistent political-will, be well-funded, and well-staffed to perform effectively in curbing corruption. This paper is investigating the problem by using IBI cases in Indonesia.

As explained in this paper, IBI was established when MoF started its commitment to reduce corruption in 2004. In the same time, international donors came forward to support the establishment of an investigative anti-corruption unit in the Ministry of Finance of Indonesia. The underlying assumption to establish IBI was that a ministry-level anti-corruption body would do better in putting culprits into sanctioned and eventually the level of corruption decreases. The newly born IBI was given the mandates to conduct investigation audits and to promote anti-corruption actions within the MoF. To exercise its mandates, IBI was empowered with eight specific powers.

This paper found that the first period of IBI was relatively successful in that many corrupt individuals were sanctioned. It is argued that, theoretically, this first and initial phase can be best understood by applying principal-agent perspective. Furthermore, after the initial phase, this paper found that besides "hunting" the perpetrators, IBI was applying three specific initiatives to curb corruption. Hence, better insight of this phase will be acquired by collective-action perspective. We have noted a change in approaches. In this period, IBI was issuing whistleblowing and affidavit system to support the investigations. Meanwhile, IBI also empowered itself by recruiting more employees. The result is the number of investigations and sanctions are in increasing trend. Furthermore, a survey of perception to roughly measure IBI's performance was issued, and the result was IBI's performed well according to the respondents.

To better understand the performance as well as context of IBI's performance, this paper also applies the capacity framework by Grindle and Hilderbrand (1995). Accordingly, this paper has looked at all five dimensions of capacity to perform its duties. From action environment, public institutional context, task network, organization until human resources dimension, the analysis shows that IBI has the sufficient capacity. Furthermore, it is also revealed that several actors influence IBI performances which are the Inspector of Investigation, Inspector General, and Minister of Finance. Their consistency of will and leadership significantly affect IBI's performance.

Leading from the empirical evidence presented and the analysis undertaken, three factors shown. These factors are very critical to IBI's performance and overall impacts. These are: political-will, human resources, and organization settlement. Therefore, in this paper, I argue that in order to

have an effective anti-corruption agency, it must be supported by consistent political-will, qualified human resources, and a good organization settlement.

Given the limitations of investigating corruption problem, this paper has shown the very important role of institutions, in terms of the norms, value, and (informal) incentives that underpin corruption. Subsequently, the concept of corruption itself identifies what type of corruption that generally occurred in MoF. Corruption is evolving and adapting towards regulation through time. Therefore, two different perspectives (principal-agent and collective-action model) are used to analyze IBI in battling corruption. The principal-agent perspective usefully emphasizes on how the agent may misuse an almost unavoidable information asymmetry as regards the principal – in this case the minister - to reduce corruption. On the other hand, the latter perspective shows that benefits of being corrupt may outweigh the consequences. Meanwhile, the consequence to act fair in the middle of corrupt environment, such as being contempt or alienated, is hard to bear. Hence, people will be prone to follow what the norms and values as part of organizational culture looks like.

In analyzing the notoriously complex corruption issue, it was shown that it is difficulties to gain vivid, very clear and concrete evidence of corruption and related practices and mechanisms. Corruption issues are secretive, hard to measure, and taboo. All this hinder the study as well as mapping corruption.

This paper ventures to formulate two recommendations. In the understanding that, first, IBI can raise awareness on three determinants that influencing its performance. Second, escalate the study to MoF capacity to retain comprehensive analysis.

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Semi Structured Interview

List of Key Informants

No	Name	Position	Date of Interview
1	M. Dody Fachrudin	Investigators Coordinator 1 and Whistleblower System Leader	22 August 2017
2	Merzi Umas	Former Whistleblower	22 August 2017
3	Carolus Agus Trushayu	Investigator	23 August 2017
4	Aris Widodo	Investigator	26 September 2017 (via Skype and email)
5	Zainul Haq	Whistleblower System Admin	26 September 2017 (via Skype and email)
6	Arief Rofiadi	Former Head of IBI Administrative Unit	27 September 2017 (via Skype and email
7	Herlambang	Head of General Affair / Procurement Unit	29 September 2017 (via Skype and email)
8	Dadang Risman Sunandar	Staff	12 October 2017 (via Skype and email)
9	Mardiyantoso Eddy Tarman	Head of IBI Administrative Unit	21 October 2017 (via Skype and email)
10	Henrajaya	Head of Directorate General of Taxes Internal Investigation	Cancelled due to tight schedule
11	Yudhistira	Whistleblowing System Admin	Cancelled due to family issue
12	Novita Mulyana Basri	Former Whistleblower	Do not want to disclose her previous case

Informed Consent

It is obligatory to take consent of the key-informant before interviewing. If they give consent prior to the interview, then they have rights not to honour the words and they can change their minds at any time even at the times of interview

"The information extracted only for research purpose. Your identity will be used in the analysis of the report. Nevertheless, you can choose to conceal your identity in the research later on. You can refuse to answer the interview question for any reason. This interview will not provide any money to participating in the interview."

Interview's Transcripts :

1. *Mr. Dody Fachrudin – Whistleblowing System Leader*
   Date of interview   : 22 August 2017 (10.00 – 11.30)
   Location   : Djuanda 2 Building, 6th floor, Jalan Dr. Wahidin 1, Jakarta.

   - 4 out of 5 MoF anti-corruption program are carried out by Inspectorate General
   - The trigger point was Gayus Tambunan case revealed on 2010. MoF top management realized that MoF need to modernized infrastructure and system of complaint channel or whistleblowing. These actions as a commitment from the MoF toward bureaucracy reform to actualize clean governance.
   - WISE actually is solely whistleblowing channel in MoF. Nevertheless, on 2011 there was a demand directly from President to build whistleblowing channel specifically for DG. Tax (SIPP) and DG. Custom and Excise (SIPUMA)
   - On 2012, SIPP and SIPUMA were integrated with WISE. Since then, Inspectorate General improve its role become coordinator of those channels under 1 umbrella, WISE, in order to simplify the monitoring process either from Minister or IG itself
   - Whistleblower's identities and reports are concealed based on KMK 103/2010. There is no obligation for whistleblowers to put their identity and even MoF top management are not able to identify the whistleblower
   - Statistically, respon from the employees are good. The percentage is increasing annually
   - For the last 6 years, I believe whistleblowers feels secure to report irregularities in WISE
   - All irregularities reports are compulsory for IBI to be followed-up. However, there are limitations :
     a.   Only fraud related cases would be followed-up by IBI
     b.   IBI would follow up any reports with >500 million rupiahs in value, echelon 4 or above officers, and top management attention
   - WISE already achieved its mandates in Minister Decree 103 and 149
   - WISE should be carried out by 1 special unit echelon 4

2. *Mr. Merzi Umas – Former Whistleblower*
   Date of interview   : 22 August 2017 (14.00 – 15.00)
   Location   : Djuanda 2 Building, 6th floor, Jalan Dr. Wahidin 1, Jakarta.

   - He reported a cases that involved his former audit team being bribed by an auditee. Their team received a sum of money that as much as 4 people lodging cost and accomodation for 1 period of audit. Whereas, his team already received official amount of money for lodging and accomodation from Inspectorate General.
   - In the end, all member of the team was sanctioned except the whistleblower

- I am being alineated from the unit where I was assigned before. Particularly, I feel my former team colleague kept me in distance.
- When IBI handled my cases, the team already gathered initial information before they asked me. So, interogation just like confirmation session. They use elicitation technique or it means they pretend to do ordinary conversation, but in the other hand they try to probe information from me without me realized being probed.
- Investigation process was so exhausting because they kept asking the same question all over again just to see consistency
- In general, IBI performance still considered well. Until today, top management in MoF count on IBI report regarding corruption issue
- MoF need to create an environment that controlled from the corruption threat. For instance, top management should become role model for all of their subordinate to show leadership.
- Not only lip service, but also tone of the top is a better step to show true action in combating corruption. A consistent policy and its enforcement would create an environment that prevent dissatisfaction and suspicion from the subordinates.
- IBI need to improve its capacity in human resource because many of its member seems "too senior" and need rejuveniled
- IBI need to develop its image as partner instead as threat for its stakeholders

3. *Mr. Carolus Agus Trushayu – Investigator*
   Date of interview   : 23 August 2017 (10.00 – 11.30)
   Location   : Djuanda 2 Building, 6th floor, Jalan Dr. Wahidin 1, Jakarta.

- MoF reform is not only to improve public service, but also to improve MoF employees discipline
- Anti-corruption program would promote controlled environment that essential for bureaucracy reform in MoF
- Inspectorate General plays significant role to provide assurance for the top management
- The main reason of IBI establishment was irregularities report, tip, and whistleblowers is not managed well. There were many reports from the society regarding corruption in MoF, but there were no significant followed up action from MoF. Moreover, at that time top management in MoF wanted major changes in corruption cases handling
- At that time, World Bank was supporting MoF through several training project regarding investigation technique
- The recruitment process was hard at the first. First generation of IBI went through 3 phase of test. Technical skill, psychotest, and top management interview with lie detector
- At the first 2 years, IBI only followed up reports from other inspectorates or top management investigation requests. All investigation audit conducted by IBI was aimed to produce sanction recommendation for the employees.

- At early years of IBI establishment, the "repenting" employees was supporting for IBI existence. However, the number of those employees were less significant compare with the whole MoF employees. Moreover, at that moment there were still no adequate whistleblowing system to channel irregularity reports.
- Employees of IBI received a certain amount of allowance higher than other MoF employees. This incentive is to maintain IBI integrity and considering its work risk.
- With IBI existence, indirectly give fear effect for MoF employees to execute corrupt action. There were culture changes in MoF. However, although the corruption cases being handled by IBI is increasing, it doesnt mean the number of actual corruption occured in MoF lessen. There are big possibilities to be the other way around.
- IBI still have hurdles in data access and authority limitation
- IBI needs to improve its capacity in ICT and infrastructures. Moreover, there should be segregation of duty between administration in IBI with whistleblowing system administration.

4. *Mr. Aris Widodo – Investigator*
   Date of interview   : 26 September 2017
   Location   : Via Skype and email (the.widodo@gmail.com)

- In order to join IBI, prospective employees should pass several level of test. For instance physical test, psychotest and interview. Those test were design to guarantee that IBI employees fulfil integrity standard and willing to combat corruption.
- IBI is an organization with non-negotiable and uphold integrity employees. At that time my expectation was to join an unit with least contact with corruption.
- Investigator duty is to investigate a fraud case that occured in MoF. Initial stage of the investigation is information and data gathering that support further investigation. When the information already sufficient, then the case can be elevated into investigation audit.
- There were different value between IBI and my previous unit before IBI. Especially in the integrity area and corruption. In my personal experience, I had experienced bribery circumstances. In IBI, it was easy for me to refuse the bribe and at that moment I reported this bribery attempt to my superior.
- The difficult of being part of IBI is most of my friend are keeping distance with me. They usually worry and very carefull to have conversation with me.
- As a small organization, IBI already has sufficient budget, human resource and ICT infrastructure support. IBI also provide it employees with financial incentives to compensate work risk and workload.
- As far as my knowledge, IBI imposes no discrimination on handling fraud cases in MoF. As long as the employees proved to be corrupted, so he would definetly recommend to be sanctioned. However, I had been through 2 different period of Inspector (highest hierarchial position in IBI). From those 2 different period, I had experienced 2 different leadership characters but in the same tone, which is combating corruption. Leadership is important in guiding an organisation.

- In IBI, culture of anti-corruption is important. Moreover, it is easily implemented because from the recruitment phase, integrity from the employee is the main concern and role-model from the senior investigators. So good input combine with good working environment make an anti-corruption value easily implemented.

5. *Mr. Zainul Haq – Whistleblowing System Administrator*
   Date of interview   : 26 September 2017
   Location   : Via Skype and email (haq.stan@gmail.com)

- I joined IBI in 2006 and the main reason of IBI establishment at that time was IBI is a policy under bureaucracy reformation that ran by MoF since 2004. As far as I know, before IBI in 2004 there was a meeting among ADB and OECD members in Indonesia. They were discussing about corruption eradication action. Moreover, there were IMF contribution for IBI inception. IMF sent a consultant (Mr. Roberth J. Cortesi) from TIGTA (Treasury Inspectorate General of Tax Administration).
- IBI recruitment prerequisite was quite tight at that time. I had administration test, psychotest and interview. Moreover, at that time the recruitement committee used polygraph and National Police assistance in the process.
- One of the several obstacles that IBI has is "catching the big fish" issue. Once, IBI had encountered the problems. This obstacle solution surely required commitment from the top management in MoF and IBI independency in revealing cases.
- WISE was born because on 2011 MoF top management asked a system that able to detect and overcome fraud inside MoF earlier before handed to the National Police or KPK. The trigger was Gayus Tambunan case in DG Tax in 2009-2010 period.
- WISE is a management system that accomodate 3 complaint channel in MoF. There are 3 channel, SIPP by DG Tax, SIPUMA by DG Custom and Excises, and WISE complain channel itself. Those 3 channel are integrated into WISE system.
- Whistleblowers in WISE are guaranteed by regulation (Minister Decree) that their identity will not disclose to any parties. Therefore, secrecy of their identity relatively safe, even top management in MoF do not has acces to the database especially identity of the whistleblowers
- WISE is relatively has its legitimacy in MoF and society. It is depicted from the number of tips and reports that received by WISE that increase annually.

6. *Mr. Arief Rofiadi –Former Head of Administration of IBI*
   Date of interview   : 27 September 2017
   Location   : Via Skype and email (arief.rofiadi@gmail.com)

- IBI as anti-corruption agent inside MoF is comprehensive in tackling corruption issue. Inside MoF, there are "three lines of defense" concept to cope irregularities. First line is operational unit itself, second line is internal control unit, inspectorate general is the

third line. Moreover, to empower that there is also reward and punishment system that incorporated inside the employees payroll and sanctions

- IBI was established in the period when top management in MoF eager to reform. Bureaucracy reform campaign was so strong and the amplitude of it reach the lowest level of the MoF. On 2004, IBI also designated to guard the establishment of Large Tax Office inside DG Tax with modern tax services.
- In the early period of IBI establishment, there were hard time to undergo its mandates. Infrastructures, such as facilities and ICT apparatus were not sufficient. Furthermore, incentives for the employees like additional allowance had not provided yet despite the high risk of the job and rejection from many parties. Eventually, we had through that hard period because leaders in IBI at that time gave examples and motivation for their subordinates. The influential factor also at that time was the uniform vision of all employees in IBI to uphold integrity made it easier to work together.
- As far as my knowledge, there are some things that IBI need to be focused on. First, in budget, I personally think that although the amount is already sufficient, but IBI need to be more accurate in the purpose. For instance, there was a time when we have surplus in socialization budget, but we have shortage in investigation budget. Moreover, it need much time to revise the budget based on MoF budget system. IBI need to upgrade its supporting infrastructure like ICT tools, intelligence tools and interrogation room. Meanwhile, employees also need to be upgraded, in terms of knowledge and skills. Both of these issues solution need fund. Secondly, IBI need regeneration and more people in order to undergo its mandates. However, in several recruitement that IBI had, the number of applicants is not so many. This is because the high risk of job and the low compensation provided. This also result the quality of the recruitement was "the best among the moderates".
- In IBI, its relatively easy to set anti-corruption values to new recruits because first the recruitement quality is guaranteed through tight selection and track record; secondly the commitment, not only from the investigators and employees but also come from IBI leaders and MoF top management to maintain integrity level; lastly rolemodel from leaders in IBI

7. *Mr. Herlambang – Head of Procurement Unit of Inspectorate General*
   Date of interview   : 29 September 2017
   Location   : Via Skype and email (herlambangdepkeu@gmail)

- I had become IBI part since 2004 until 2016 and for that period many things happened. At the beginning, IG as internal auditor was gaining no respect from its auditee. IG known as "negotiable" when dealing with findings. However, since IBI in 2004, respect was slowly gained because this new unit is impossible to be bribed.
- The main reason of IBI establishment is corruption was so ubiquitos at the moment, from top to bottom in MoF structur. Meanwhile, on 2004 the new elected president was amplified anti-corruption program accross the country

- There were one international funding organisation that supporting IBI establishment, especially inside MoF. They also held trainings about anti-corruption and investigation in IG.
- IBI recruitement was so tight. Several stages need to be accomplished in order to join this new unit. There were also lie detector apparatus being used for the test. However, in early period, IBI had no incentives for the employees. So it was purely personal reason to joined IBI and maintain the integrity level. We had to deal with bribery temptation that normally auditors would encountered. Moreover, not only financial hurdle, but also physical threat from the auditee because the corruption case that IBI handled was mostly ended with dismissal
- In the unit that I lead now, all the knowledge I had from IBI is very useful. Mostly, I handle about procurement and its very different from my previous job as investigator. However, as former IBI investigator, I use my expertise to identify redflags inside my unit and calculate appropriate countermeasures. Meanwhile, I have to build better relation to my subordinates because as ex-IBI they initially "keeping distance" and reluctant.
- As a leader, creating trust is important. Either trust from my sub-ordinates to me or vice versa. People would enjoy their work if they have trust from their superior. I can feel and know everything what happen in the field, because as their manager I cannot supervise them all the time. This also can prevent my sub-ordinate to abuse their authority. Procurement unit is vulnerable towards abuse of power because it always related with suppliers and people. Integrity and more importantly tone of the top is very important to maintain the unit in the right track.

8. *Dadang Risman Sunandar – Staff*
   Date of interview   : 12 Ocotber 2017
   Location   : Via Skype and email (dadang.risman@gmail)

- My duties in IBI are administer tips and report that IBI received, conducting clearance test for MoF employees, and supporting surveillance and investigation audit.
- There are a significant difference between IBI work environment and my previous unit in terms of integrity level
- In general, IBI already supported by adequate human resources, infrastructures, facilities, and budget. However, I personaly highlight there are insufficient training support for IBI employees.
- IBI recruitment process is based on employees needs analysis, hence the quantity of employees recruited is based on the analysis and Human Resource Unit in Inspectorate General.

9. *Mr. Mardiyantoso Eddy Tarman – Head of IBI Administrative Unit*
   Date of interview   : 21 Ocotber 2017
   Location   : Via Skype and email (mardiyantoso@gmail)

- The Minister Decree Number 462/KMK.09/2004 is IBI's sacred book that underpin every action of IBI which was composed by MoF leaders and qualified officials at that time. It's contain functions and authorities that IBI exercise.
- These decree contains top managements policy at that time. How far and how powerful IBI going to be to curb corruption within MoF.
- For Inspector of Investigation, it is not easy to bridge 2 level of top management, an Inspector General and a Minister, and accommodate them at the same time for many sensitive issue
- There are several IBI's important stakeholders, they are Minister of Finance, Inspector General and MoF employees itself. Next is secondary organizations which are KPK, National Police, and General Attorney. These organizations are receiving case deletion from IBI or vice versa.
- Not only employees that already sufficient, but also the facilities and infrastructure for IBI, either for basic operational needs and information and communication technology infrastructure, are already sufficient.
- For investigators, training in IBI is already sufficient and after accomplishing an investigation usually an investigator will join a training in between before handling another investigation.
- There is a trend now that applicants for IBI employee is decreasing, compare with previous recruitments
- Currently, IBI tries to specialized the investigators based on certain area i.e. tax, custom, auction, state financing, etc
- There is a diversification of duties of IBI. Nowadays, IBI already join post tax-amnesty audit, custom spot-check, and others task deployed from the MoF
- Many small fraud cases no longer tackled by IBI because the magnitude is not as big as predicted. Hence, IBI delegates "smaller" cases to internal control in each MoF offices across Indonesia.

Explanatory Survey

Explanatory survey not only present descriptive information about corruption issue in MoF, but also depict the MoF employees attitude that shaped from the corruption issue (O'Leary, 2004). By using survey, it is also easier to reach large number of respondent, generate quantitative as well as qualitative data (ibid). The survey was identifying the MoF employees perception towards corruption issue in the ministry.

The similar survey was conducted by Transparency International (TI) Chapter Indonesia to identify people perception towards corruption issue in Indonesia on 2015. In line with that, this survey used the same 8 dimension of corruption issue that TI used but one thing different was the target only for MoF employees (Appendix 1).

My survey uses *Likert* scale to measure people perception about an issue. This scale is categorized into 5 different answers:
1. Strongly agree (5 points score)
2. Agree (4 points score)
3. Neutral (3 points score)
4. Disagree (2 points score)
5. Strongly disagree (1 points score)

The population of this survey is the whole MoF employees, according to the latest statistic from the Secretariat General of MoF there are 72.310 employees (MoF, 2017). Subsequently, I decided to use online survey to reach the respondents in order to gain easy access from them. I use online survey from Qualtrix provided by Erasmus University to undergo the online survey.

In order to determine the size of the population I use *Slovin* formula based on Muliary (2011).

$$n = \frac{N}{1 + Ne^2}$$

n = sample size
N = population size
e = error tolerance (in this research I use 0,1 index which means there is 1% tolerable error and 99% accuracy from the population size)

$$n = \frac{72.310}{1 + 72.310\ (0{,}1)^2}$$

n = 99,86
rounded up = 100

With population size as many as 72.310 MoF employees and with the 0,1 error tolerance, this research use 100 respondent sample as minimum quantity.

Before I issued the survey, I initially issued pilot survey on 19 August 2017 to test whether the survey's questions already sufficient or not. The pilot survey was received responds from 23 respondents. Furthermore, several inputs from pilot survey's repsondents were being used to make the survey better.

This survey was conducted on online platform which provided by Erasmus University i.e. Qualtrix. The link of the survey is https://erasmusuniversity.eu.qualtrics.com/jfe/form/SV_9KtYyJWm9gYqHnD . The survey was open from 11 September 2017 12.00 until 12 October 2017 12.00.

Survey Introduction

My name is Ridzky Aditya Saputra. I am a student at the Institute of Social Studies, Erasmus University. Now, I am currently conducting research on the "Anti-Corruption Policy Analysis of Ministries: Case Studies of Investigative Units at the Ministry of Finance". The purpose of this study is to analyze the effectiveness of the establishment of anti-corruption units in order to shape stakeholder perceptions of decreasing levels of corruption in an organization. In this regard, I am very much expecting your willingness as an employee of the Ministry of Finance to take the time to fill out the questionnaire that I will convey. The time required to complete this questionnaire is 4-7 minutes. This survey is voluntary. The identity, responses, and answers of the respondents will be my guarantee of confidentiality and are only used for the purposes of this research.

For your attention and willingness, we thank you.

Respondents Profille :

No		
1	Gender	
	Age category	
	Working period	

Survey Result

- I gave the survey to 491 prospectus respondents inside MoF; there were only 137 respondents who returned the survey completely; and **121 valid responses.**
- In the survey result, I merge strongly agree and agree answers into ∑Agree
- In the survey result, I merge strongly disagree and disagree answers into ∑Disagree
- I round up the percentage

Code	Criteria	∑Agree	∑Neutral	∑Disagree
	MoF Basic Capacity *(Do you agree with the statement?)*			
KO1	MoF bureaucracy system already measurable, transparent, not complicated, and accountable.	98	16	7
KO2	MoF supporting infrastructures already adequate to support the business process	100	16	5
KO3	MoF employees education level already adequate to support the business process	95	18	8
KO4	MoF employees already adequate in number to support the business process	51	41	29
KO5	MoF Information and Communication Technology usage already adequate to support the business process	87	20	14
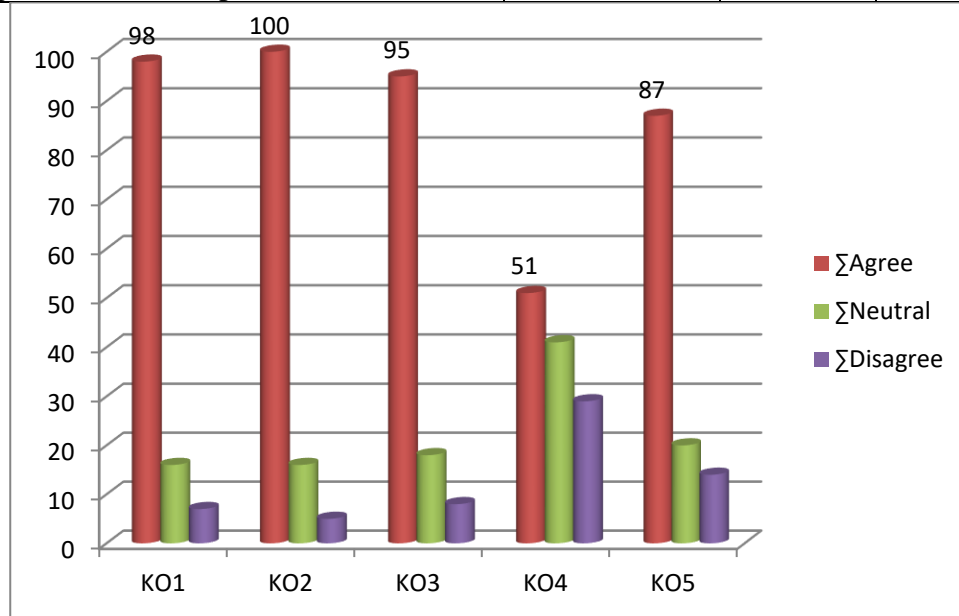
Code	Criteria	∑Agree	∑Neutral	∑Disagree
	Type of Corruption in MoF *(Do you agree with the statement?)*			
PK1	Bribery is likely to happen in MoF	11	12	98
PK2	Illegal gratitude is likely to happen in MoF	20	18	83
PK3	Misappropriation of budget for private interest is likely to happen in MoF	12	26	83
PK4	Economic extortion from MoF employees to stakeholders is likely to happen in MoF	4	4	113
PK5	Procurement related corruption is likely to happen in MoF	9	24	88
PK6	Illicit budget spending for personal purpose is likely to happen in MoF	27	38	56
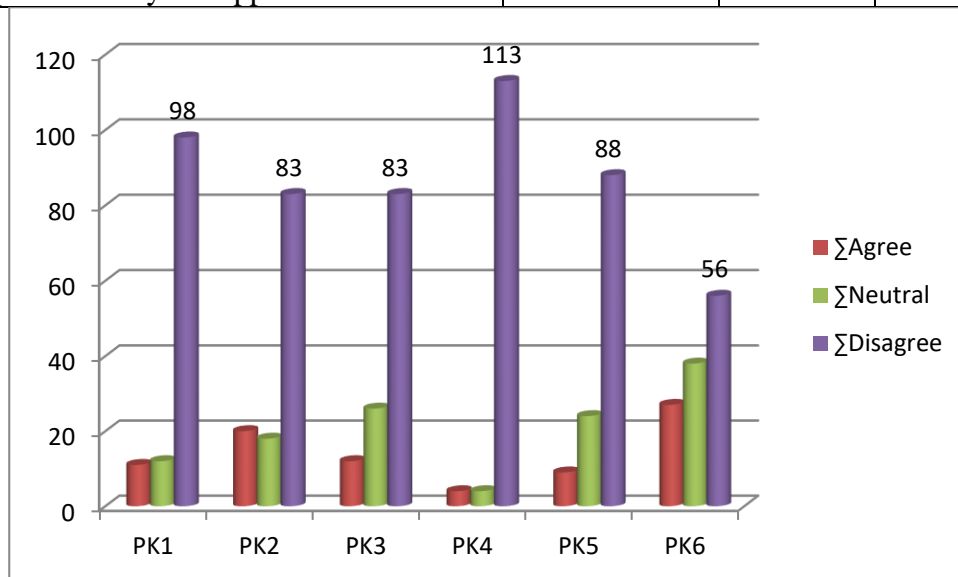
Code	Criteria	∑Agree	∑Neutral	∑Disagree
	Motivation to Execute Corruption Action *(Do you agree with the statement?)*			
MK1	Personal financial and emotional pressure are likely to motivate employee in MoF to act corrupt	41	36	44
MK2	Opportunities in business process is likely to motivate employee in MoF to act corrupt	38	30	53
MK3	Personal justification likely to motivate employee in MoF to act corrupt	41	27	53
MK4	Capability, hierachical position, and authority from certain parties are likely to motivate employee in MoF to act corrupt	51	32	38
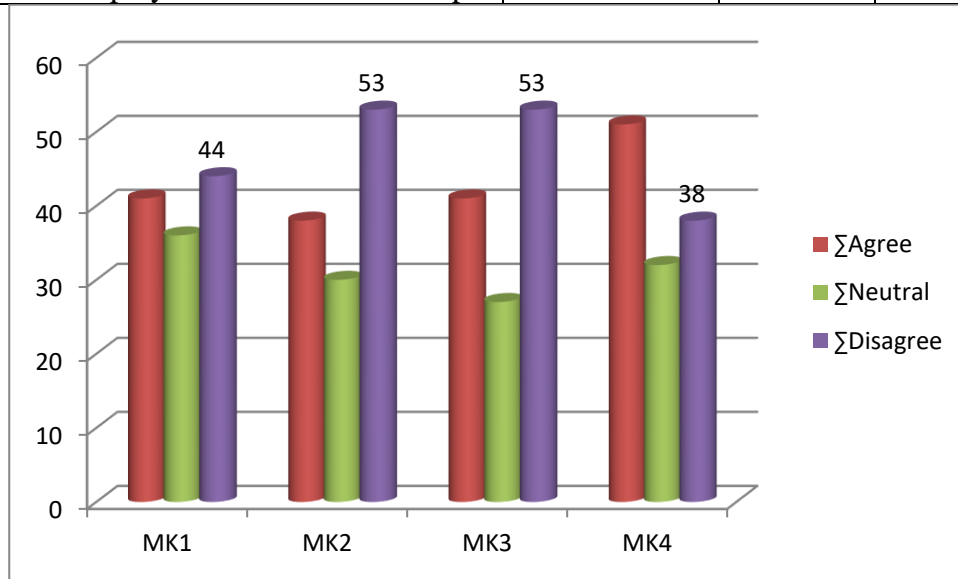
Code	Criteria	∑Agree	∑Neutral	∑Disagree
	Anti-Corruption Program in MoF *(Do you agree with the statement?)*			
PPK1	Sistematic audit and corruption identification are having significant impact in corruption eradication in MoF	95	19	7
PPK2	Anti-corruption code of ethic and values are having significant impact in corruption eradication in MoF	83	27	11
PPK3	Whistleblowing system and internal control unit are having significant impact in corruption eradication in MoF	92	23	6
PPK4	Adequate reward and punishment mechanism are having significant impact in corruption eradication in MoF	97	17	7
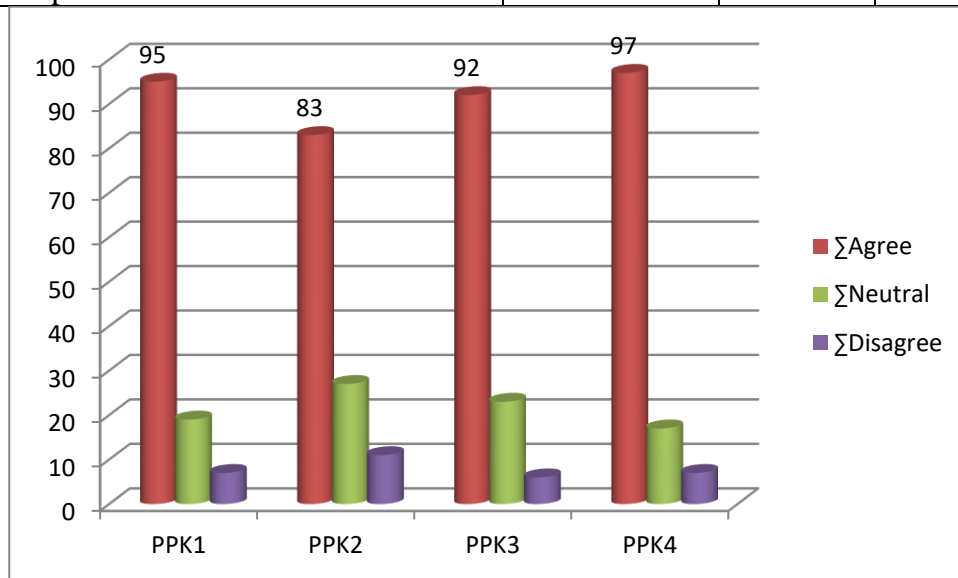
Code	Criteria	∑Agree	∑Neutral	∑Disagree
	Vulnerable Unit in terms of Corruption in MoF *(Do you agree with the statement?)*			
UPB1	Secretary General	5		
UPB2	Inspectorate General	7		
UPB3	DG. Taxes	36		
UPB4	DG. Custom and Excises	39		
UPB5	DG. Budget	12		
UPB6	DG. Treasury	6		
UPB7	DG. State Asset	8		
UPB8	DG. Fiscal Balance	2		
UPB9	DG. Financing and Risk Management	1		
UPB10	Fiscal Policy Office	1		
UPB11	Financial Education and Training Agency	2		

70

Code	Criteria	∑Agree	∑Neutral	∑Disagree
	Regulation and Fact in the Field Conformity in MoF *(Do you agree with the statement?)*			
PPKJ1	Every unit in MoF already has standard operating procedure for daily business process	115	4	2
PPKJ2	The practice already conform with the regulation	97	16	8
PPKJ3	The MoF internal control unit is recognized by the employees	120	1	0
PPKJ4	The MoF internal control unit is carrying out it duties sufficiently	86	28	7
PPKJ5	The MoF employees know thet they can report irregularity	118	9	4
PPKJ6	The MoF employees feel no pressure to report irregularities	86	26	9
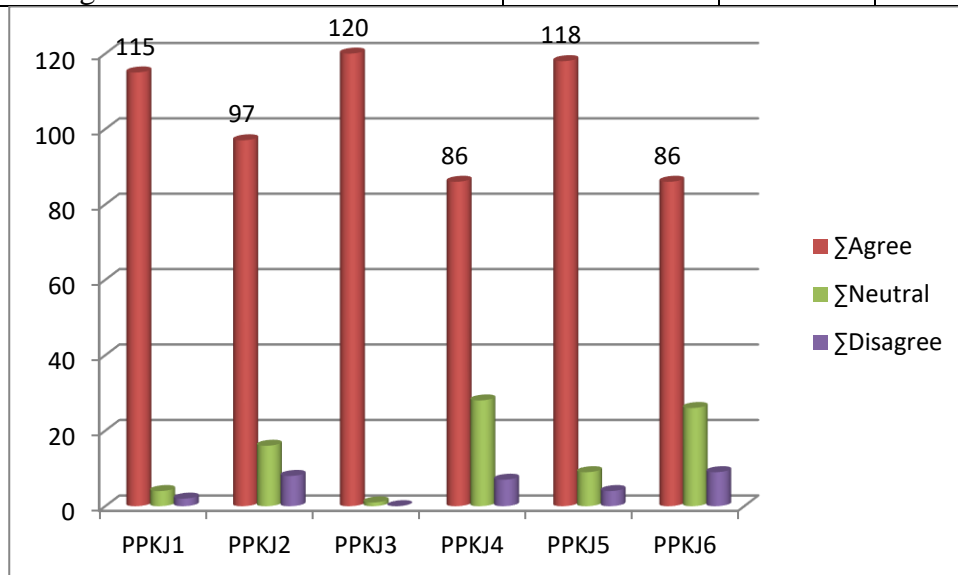
Code	Criteria	∑Agree	∑Neutral	∑Disagree
	IBI General Performance (*Do you agree with the statement?*)			
KUI1	MoF employees know about IBI duties and obligations	77	28	16
KUI2	IBI carries out its duties and obligations as its mandates in Minister of Finance Decree	73	42	6
KUI3	IBI presence reduce corruption action in MoF	60	49	12
KUI4	IBI presence contra-productive with MoF performance	15	62	44
KUI5	MoF employees know about Whistleblowing System to channel irregularities report	114	6	1
KUI6	MoF Whistleblower identity will be concealed by IBI	75	34	12
KUI7	All the tip and report from whistleblowers will be followed up by IBI.	59	47	15
KUI8	Whistleblowers will be protected from threats, material loss, or blocked in term of reporting irregularities in MoF	52	51	18

Code	Criteria	∑Agree	∑Neutral	∑Disagree
	Anti-Corruption Innovation *(Do you agree with the statement?)*			
IAK1	Anti-corruption culture socialization to MoF employees	73		
IAK2	Punishment enforcement for offenders in term of corruption	23		
IAK3	Cooperation with other Anti-Corruption Agencies and Law Enforcer	18		
IAK4	Reward enforcement for MoF employees through remuneration program	4		

Code	Criteria	∑Agree	∑Neutral	∑Disagree

	OPEN QUESTION	Frequency		Quantity
1	**What is your opinion about IBI performance regarding corruption eradication in MoF?**			
	1. Already good	i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i	73	121
	2. Dont understand IBI duties	i i i i i i i i i i i i i i i i i i i i i i i	23	
	3. Not significant	i i i i i i i i i i i i i i i i i i	18	
	4. Do not opine	i i i i	4	
	5. Empty answer	i i i	3	

Respondent

- Already good
- Dont understand IBI duties
- Not significant
- Do not opine
- Empty answer
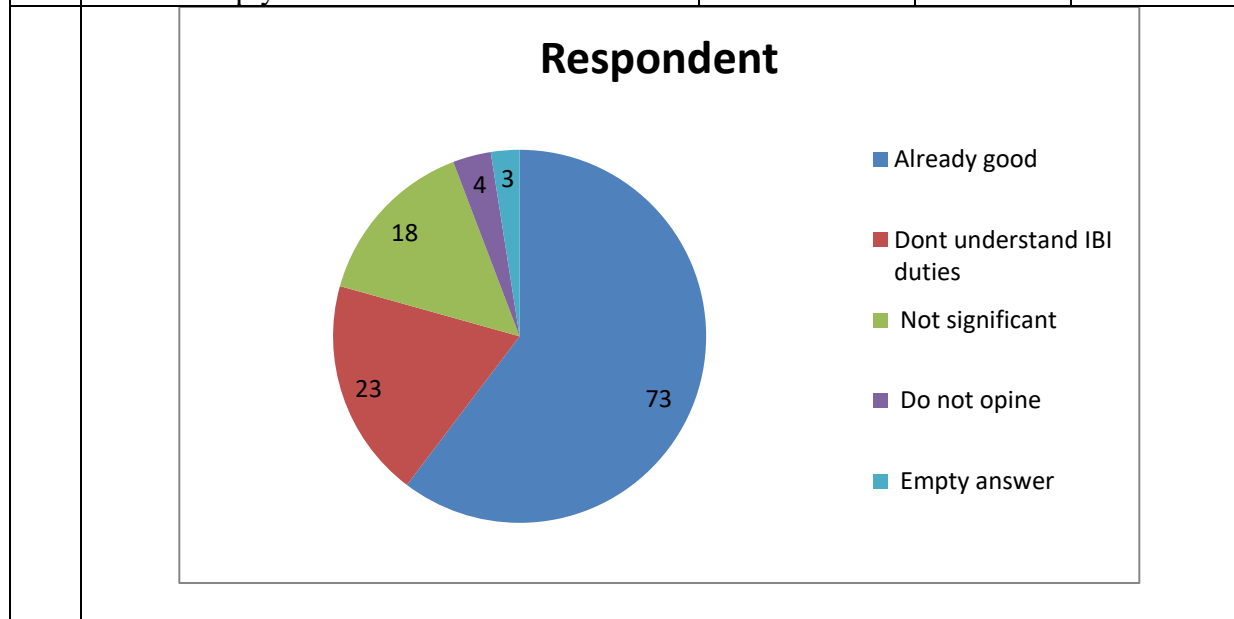
	OPEN QUESTION	Frequency		Quantity
2	**What is your opinion about Whistleblowing System role regarding corruption eradication in MoF?**			
	1. Already good	i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i i	75	121
	2. Do not understand what WISE is	i i i i i i i i i i i i i	13	
	3. Not significant	i i i i i i i i i i i i i i i i i i i i i i i	23	
	4. WISE is dangerous for whistleblower secrecy	i i	2	
	5. Do not opine	i i i i i	5	
	6. Empty answer	i i i	3	

OPEN QUESTION	Frequency	Quantity

Respondent

- Already good — 75
- Do not understand what WISE is — 13
- Not significant — 23
- WISE is dangerous for whistleblower secrecy — 2
- Do not opine — 5
- Empty answer — 3
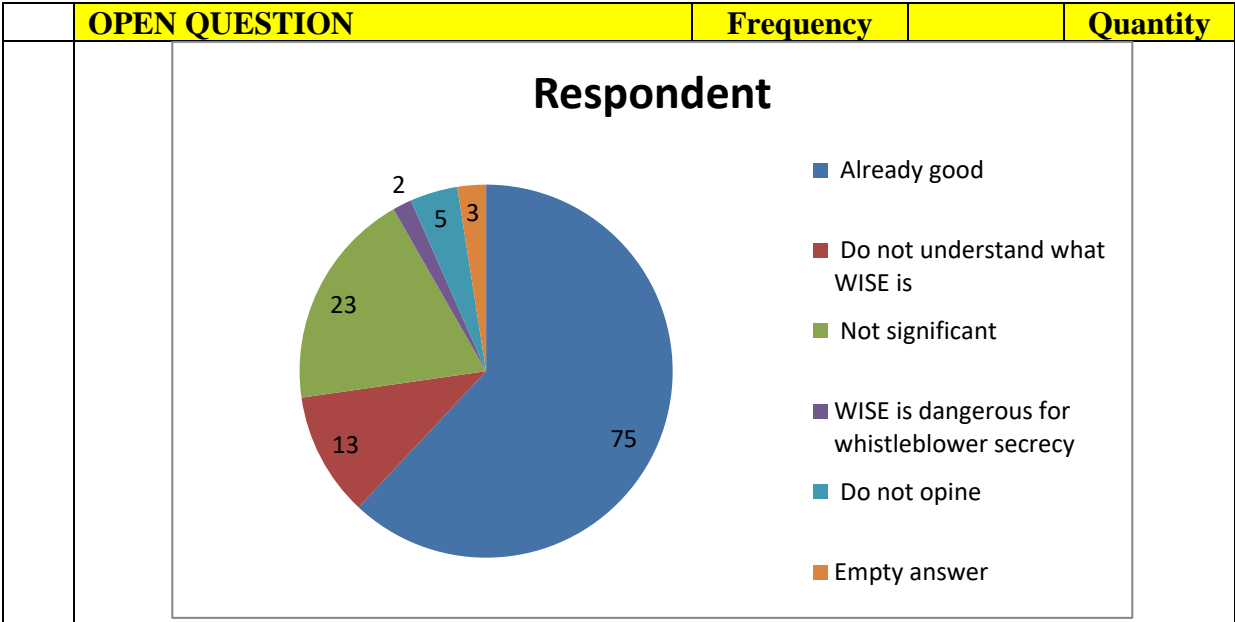
Appendix 3

TIGTA Organizational Chart

May 1, 2017

	On-Rolls
IG	1
SES	13
GS-15	54
GS-14 Mgr	92
GS-14 Non-Mgr	90
Grade 13 & Below	560
Total On-Rolls	810
No. of Vacancies	34

Senior Advisor
Vacant
GS-0301-15

INSPECTOR GENERAL
J. Russell George

Acting Principal Deputy Inspector General
Vacant

Chief Counsel
ES Gladys Hernandez
On-Rolls – 19

Program Analyst
Angelia McCoy
GS-343-12

EEO Program Manager
Brittany Woolfolk
GS-260-14

IG Executive Assistant
Vacant
GS-301-13

Director of Communications
Karen Kraushaar
GS-1035-15

Counselor to IG/ Congressional Liaison
Vacant
GS-905-13

Media Liaison
David Barnes
GS-1035-14

Writer/Editor
John Zimmerman
GS-1082-14

Writer/Editor
Mark Anderson
GS-343-13

Deputy Inspector General for Investigations
ES Timothy Camus
On-Rolls – 394

Deputy Inspector General for Audit
ES Michael McKenney
On-Rolls – 277

Deputy Inspector General for Mission Support/ CFO
GS Merv Hyndman (Acting)
On-Rolls – 47

Deputy Inspector General for Inspections & Evaluations
ES Greg Kutz (Acting)
On-Rolls – 16

Chief Information Officer
ES George Jakabcin
On-Rolls – 50

Data Source: TIGTA Website, online document at https://www.treasury.gov/tigta/about_orgchart.shtml