Corruption in Indonesia
Sondang Silitonga, Mala

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Document Version
Publisher's PDF, also known as Version of record

Publication date:
2018

Link to publication in University of Groningen/UMCG research database

Citation for published version (APA):

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Chapter 1

Introduction

1.1. Public Sector Corruption in Indonesia

The problem of corruption in Indonesia has become a topical issue, especially in the public sector. Public officials, both elected leaders and bureaucrats, are expected to maintain and strengthen public trust in government, but many corrupt officials abuse public power for their personal gain. This is illustrated by the country’s position in the Corruption Perception Index (CPI), published by Transparency International on a yearly basis. In 2016, Indonesia was ranked 90th of 176 countries on the CPI with quite a low score of 37 (on a scale between 100 (very ‘clean’) and 0 (highly corrupt)). Indonesia’s CPI score averaged 25.3 points from 1995 until 2016 (in 2012–2015 the score ranged from 32 to 36), reaching an all-time high of 37 points in 2016 and a record low of 17 points in 1999. Although the increases in this index indicate improved government efforts to eradicate corruption, the scores show that Indonesia still has a serious corruption problem.

With the fall of the 32-year-long Suharto or New Order regime in 1998, government attempts to eradicate corruption increased considerably by implementing various anti-corruption measures. Nevertheless, widespread incidences of grand and petty corruption persist as shown in various media such as newspapers, television, and other electronic media: corrupt public officials and private actors are in the news on an almost daily basis. This coincides with the public perception that corruption has worsened in the country, a recent study by the Center for Strategic and International Studies (CSIS, 2016) concluded. Despite more than 50% of respondents to this study believe that the Indonesian government is serious about eradicating corruption, they think that the number of corruption cases is increasing.1 The Supreme Court of the Republic of Indonesia also considers corruption a serious problem, rankings it the second-highest national problem after drug problems. According to Indonesian Law No. 31/1999 on the Eradication of the Criminal Act of Corruption, and its amended Law No. 20/2001, widespread corruption in Indonesia creates huge losses in state finance and political economy, violates the social and economic rights of the general public, and hinders national development.

The following sections of this chapter present an overview of the attempts of various local governments in Indonesia to fight corruption in the past decades, including changes in institutional arrangements and efforts to strengthen legal frameworks and anti-corruption bodies. We then identify some challenges in the implementation and

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enforcement of these anti-corruption measures. This leads to the formulation of the overarching research question of this work, and is followed by an overview of the four empirical studies in this dissertation.

1.2. Government Attempts to Combat Corruption

There is an extensive economic literature on corruption and its relationship to economic growth and decision-making. On the one hand, some economists have made the point that corruption can, under certain conditions, also be good for economic growth. This notion has been coined as corruption helping to grease the wheels of economic activity by “speeding up” the process of rigid bureaucracy (Dreher & Grassebner, 2013; Mécén & Sekkat, 2005). On the other hand, a number of influential economic publications suggested that corruption has negative effects on investment, thereby lowering economic growth. Impacts are different depending on the quality of governance: they tend to worsen when indicators of the quality of governance deteriorate (Bardhan, 1997; Mauro, 1995; Tanzi, 1998; Treisman, 2000).

For the case of Indonesia, systemic corruption has undermined fundamental requirements of good governance, as it goes against the principles of the rule of law, destroys public trust, and has a negative impact on political stability, government accountability, effectiveness, and transparency. Combating corruption is one of the most important issues that the Indonesian government aims to address at all levels (Jemadu, 2017; Pradiptyo, 2012). Special efforts have been made to stop corruption in the public sector through traditional regulatory reforms and governance-based measures, thereby attempting to strengthen formal institutions to combat corruption.

The rationale behind these anti-corruption measures is that corrupt actors are rational individuals who try to maximize their own benefits from illicit transactions (De Graaf, 2007; Lambsdorff, 2007; Shleifer & Vishny, 1993). If the negative consequences of corrupt behavior are not so severe or serious, corruption is likely to continue (Huisman & Walle, 2010; Jain, 2001; Van Rijckeghem & Weder, 2001). Therefore, consecutive governments aimed to deter actors from engaging in corruption by increasing the possible risks of being detected and sanctioned, and thereby reducing the expected profit of the transaction. They did this by reforming political institutions by decentralizing the government system, as well as through designing and enforcing anti-corruption laws, and strengthening law-enforcement agencies (Garoupa & Klerman, 2004; Matsueda, 2013). We elaborate on the above-mentioned measures below.

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2 Controlling corruption is only one of the indicators of governance (source: http://info.worldbank.org/governance/wgi/#home). In this dissertation, the author emphasizes the eradication of corruption as a way to promote good governance, and does not explicitly discuss other indicators of good governance, such as political stability and absence of violence, government effectiveness, or voice and accountability.

3 Anti-corruption measures vary from country to country because nations differ both in their corruption problems and in their capacity to address them (UNODC, 2015).
1.2.1. Changing the Government Structure: From a Centralized to Decentralized System

One challenge in combating corruption in Indonesia is that it has been deeply engrained in society since the era of Suharto’s authoritarian New Order regime (McLeod, 2000; Robertson-Snape, 1999; Vial & Hanoteau, 2010). This regime was characterized by large-scale centralized corruption with top-level leaders monopolizing goods and services and public officials monopolizing access to their leaders. The powers-that-be utilized a system of patronage (Schwarz, 2004) to ensure the loyalty of their clients and subordinates.

During the New Order regime, heads of regions (i.e., governors, mayors, and regents) were appointed by the central government. The regional heads relied on advice and support from central government and faced strong political and fiscal incentives to be accountable. In terms of corruption at the local level, actors appointed and granted power by the central government to manage local government were able to establish local monopolies, but the discretion to use that power was always under control of central government.

After the collapse of the New Order regime in 1998, a national decentralization policy was adopted in 2001 to promote good governance, in an attempt to eliminate corruption throughout the country. This decentralization policy was implemented in two phases: the first was from 2001 to 2004 and the second started in 2005 and has not ended yet. According to the country’s regional autonomy laws, in both phases, local governments (i.e., regencies and municipalities) can perform most functions (i.e., health, education, environmental, and infrastructure policies or services), except for national defense, international relations, justice, police, monetary policy, religion, and finance. Local governments were therefore granted more than half of the government budget and received the authority to determine the size and structure of budget expenditure.

The first phase of decentralization (2001–2004) was marked by a representative democracy where local parliament (i.e., the local council) had the power to select and remove the local executive (i.e., the head of region and the deputy). Furthermore, the local council had duties to legislate, monitor, and supervise the local executive and channel the aspirations of the people. Therefore, although the law stipulated that the relation between both bodies was coequal, the local executive was fully accountable to the local council. The powerful local council thus enjoyed privileges to influence policy-making processes in their own interests.

The second phase (2005–to date) is marked by direct local elections for the head of region and local council members with local citizens as voters. Compared to the first

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4 Some scholars argue that the history of corruption in Indonesia can be traced to before European colonization and the Dutch colonial period, see e.g. Anderson (1972), King (2000). This study emphasizes corruption conditions after independence that culminated in the New Order Regime (1965-1998) which led to the period of government reform that saw the transfer of power and resources from central to regions through decentralization policies.

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phase, the local executive now holds greater discretion to issue their own regulations and manage their own resources, with fewer accountability requirements from central government and the local council.

These two phases of decentralization have produced mixed results, related to two competing views on the relation between decentralization and controlling corruption. The optimistic view argues that the shift of formal power and functions to local government (i.e., district level) limits the central government's span of intervention and allows the local government to work closer to the people. Being close to citizens is also expected to enhance transparency and accountability in regions, reduce transaction costs, and encourage cooperation between government and the private sector, which can be good for local economic performance (Grindle 2007; Fisman & Gatti, 2002; Hofman, Kaiser, & Schulze, 2009). Decentralization, so the assumption goes, creates incentives for local leaders to refrain from illicit practices, for example because they are accountable to the people and may fear not being re-elected.

Although in theory decentralization can create good governance, those who hold a more pessimistic view would argue that this promise has not been met yet, at least for Indonesia, since corruption remains pervasive at both national and sub-national levels and large numbers of local public leaders are indicted for corruption. Some argue that decentralization in Indonesia did not reduce the number of corrupt acts, but simply shifted corruption from central to local government, because the transfer of power and resources to the regions opened opportunities for local corruption as local officials received power and autonomy in managing regional resources (Asian Development Bank, 2006; Henderson & Kuncoro, 2004; Hofman, Kaiser, & Schulze, 2009; Nordholt, 2005). Other explanations for the increase in corruption at the local level after decentralization focus on local government’s lack of capacity to carry out the mandated tasks combined with weak control by the central government (Martini, 2012; Rinaldi, Purnomo, & Damayanti, 2007).

1.2.2. Anti-corruption Agents

After the end of the Suharto era, the Indonesian police and public prosecutors – as the state agencies that investigate and prosecute corruption – had difficulty in detecting and controlling corruption. To overcome this, under Law No. 30/2002, the government established the Corruption Eradication Commission, also called Komisi Pemberantasan Korupsi (hereafter referred to as KPK). The KPK is independent from the executive, legislative and judiciary branches, and responsible to the general public. According to Article 6 of Law No. 30/2002, the commission has the following duties with regard to fighting corruption in Indonesia: (1) to supervise and coordinate activities with the prosecutor’s office, the national police, and other institutions authorized to eradicate corruption; (2) to conduct preliminary and other investigations as well as prosecutions against acts of corruption, (3) to conduct corruption prevention, such as coordinating with the internal monitoring units of all government institutions to improve public service transparency, and (4) to monitor the exercises of state governance.
The law stipulates that the KPK is authorized to conduct pre-investigations, investigations, and prosecutions against corruption cases that include (1) the involvement of law enforcers, state officials, and other individuals connected to corrupt acts; (2) cases that generate significant public concern; and/or (3) cases that have lost the state at least IDR 1 billion in value (approx. USD 75,000).

In the 14 years since its establishment, the KPK has secured public trust by successfully bringing substantive numbers of high-profile cases to court, thereby building its own reputation of institutional integrity (see Table 1.1).

Table 1.1. KPK actions against corruption in Indonesia

<table>
<thead>
<tr>
<th>Year</th>
<th>Action Pre-investigation</th>
<th>Investigation</th>
<th>Prosecution</th>
<th>Inkracht6</th>
<th>Execution7</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>23</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>0</td>
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<tr>
<td>2005</td>
<td>29</td>
<td>19</td>
<td>17</td>
<td>5</td>
<td>4</td>
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<tr>
<td>2006</td>
<td>36</td>
<td>27</td>
<td>23</td>
<td>17</td>
<td>13</td>
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<tr>
<td>2007</td>
<td>70</td>
<td>24</td>
<td>19</td>
<td>23</td>
<td>23</td>
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<tr>
<td>2008</td>
<td>70</td>
<td>47</td>
<td>35</td>
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<tr>
<td>2009</td>
<td>67</td>
<td>37</td>
<td>32</td>
<td>39</td>
<td>37</td>
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<tr>
<td>2010</td>
<td>54</td>
<td>40</td>
<td>32</td>
<td>34</td>
<td>36</td>
</tr>
<tr>
<td>2011</td>
<td>78</td>
<td>39</td>
<td>40</td>
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<td>34</td>
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<tr>
<td>2012</td>
<td>77</td>
<td>48</td>
<td>36</td>
<td>28</td>
<td>32</td>
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<tr>
<td>2013</td>
<td>81</td>
<td>70</td>
<td>41</td>
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<td>44</td>
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<tr>
<td>2014</td>
<td>80</td>
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<tr>
<td>2015</td>
<td>87</td>
<td>57</td>
<td>62</td>
<td>37</td>
<td>38</td>
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<tr>
<td>2016</td>
<td>96</td>
<td>99</td>
<td>76</td>
<td>70</td>
<td>81</td>
</tr>
<tr>
<td>2017</td>
<td>26</td>
<td>27</td>
<td>24</td>
<td>16</td>
<td></td>
</tr>
</tbody>
</table>

|       | 874                      | 592          | 489        | 406       |            |

Note: Data as of March 31, 2017

Of the public officials (politicians and bureaucrats) arrested by the KPK for corruption, 36% were high-ranking government officials, 32% were central and local parliament members, followed by head of districts/mayors and their deputies (15%).8 Other public officials include ministers or heads of agencies at the ministerial level, governors, judges, heads of commissions, and ambassadors.

Along with its investigations and prosecution tasks, the KPK continues to improve transparency by monitoring any possibility of gratification or gift-giving related to public officials’ duties, and monitoring compulsory asset declarations of state officials (called the

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6 “Inkracht” means a final verdict that is legally binding; no appeal can be filed against it.

7 “Execution” is an execution of a court verdict, which has permanent legal force (inkracht).

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Compulsory asset declarations are intended to detect and identify potential abuses of power, unexplained wealth, tax evasion, and other cases of illicit enrichment of government officials. Asset declaration is expected to serve as a tool for uncovering corrupt transactions, and allows the public and the media to monitor the integrity of public officials. The commission is credited to have improved the quality of bureaucracy and public service delivery, as well as having raised public awareness of anti-corruption through media campaigns, education, research, seminars, and other prevention activities (to name but a few).

Aside from the KPK, the national police, the prosecutor office, the government has also established other anti-corruption institutions, such as the anti-corruption court and the Indonesian Financial Transaction Reporting and Analysis Center (called the PPATK), with tasks to eradicate international organized crime, including money laundering in public offices and other criminal acts related to government assets. The National Ombudsman Commission was established with the aim of monitoring and investigating alleged maladministration by public officials or legal entities funded by the government, as a way to support the creation of a corruption-free state.

1.2.3. Anti-corruption Laws & Regulations

As part of the commitment to fight corruption, wide ranging anti-corruption laws and regulations have been enacted to prevent public officials from committing corrupt acts and to provide sanctions if caught. The key anti-corruption laws (among others) are presented in Table 1.2 (below).

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9 Source: www.transparency.org
11 There are other sector-specific regulations, such as for implementing electronic transactions, information systems and data privacy, and codes of conduct applicable to public officials that prohibit the receiving or requesting of any gifts or payment intended to persuade the public officials to act or to omit to act in contravention of their duties.
As part of the commitment to fight corruption, a wide ranging anti-corruption campaign was launched in Indonesia. This involved various sectors, such as the financial sector, the public sector, and the legal sector. The anti-corruption campaign was supported by media campaigns, education, research, seminars, and other prevention activities.

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Aside from the KPK, the national police, the prosecutor office, the anti-money laundering task force, and the police task force to eradicate international organized crime, including money laundering in Indonesia, the government has also established the Transaction Reporting and Analysis Center (called the PPATK), which is responsible for conducting law enforcement operations.

The law targets all state administrators including high-ranking officials of state institutions, ministers, governors, judges, or other officials with a strategic function in relation to state governance in accordance with the regulations. Under the law, each state administrator is obliged to:

1. take an oath or vow in accordance with their religion prior to assuming their position;
2. agree to have their wealth investigated prior to, during, and after assuming the position;
3. report and declare their wealth prior to and after assuming the position;
4. not to commit any acts of corruption, collusion, and nepotism;
5. carry out their tasks without discriminating against any ethnic group, religion, race and group;
6. conduct their duties with full responsibility without committing any disgraceful acts, without expecting any reward, whether for their own personal interest, family, acquaintance, friend or group, and without expecting any compensation of any kind that is contrary to the provisions of prevailing laws and regulations; and
7. agree to act as witness in any cases of corruption, collusion and nepotism and in other cases pursuant to the provisions of prevailing laws and regulations.

<table>
<thead>
<tr>
<th>No.</th>
<th>Law Number</th>
<th>Title</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Law No. 28/1999</td>
<td>State administrators clean and free of corruption, collusion and nepotism</td>
<td>The law targets all state administrators including high-ranking officials of state institutions, ministers, governors, judges, or other officials with a strategic function in relation to state governance in accordance with the regulations. Under the law, each state administrator is obliged to: (1) take an oath or vow in accordance with their religion prior to assuming their position; (2) agree to have their wealth investigated prior to, during, and after assuming the position; (3) report and declare their wealth prior to and after assuming the position; (4) not to commit any acts of corruption, collusion, and nepotism; (5) carry out their tasks without discriminating against any ethnic group, religion, race and group; (6) conduct their duties with full responsibility without committing any disgraceful acts, without expecting any reward, whether for their own personal interest, family, acquaintance, friend or group, and without expecting any compensation of any kind that is contrary to the provisions of prevailing laws and regulations; and (7) agree to act as witness in any cases of corruption, collusion and nepotism and in other cases pursuant to the provisions of prevailing laws and regulations.</td>
</tr>
<tr>
<td>2.</td>
<td>Law No. 31/1999 as amended by Law No. 20 of 2001</td>
<td>Eradication of the criminal act of corruption</td>
<td>The law is a legal certainty in eradicating corruption offenses used by anti-corruption agencies (i.e., KPK) in conducting law-enforcement operations.</td>
</tr>
<tr>
<td>3.</td>
<td>Law No. 30/2002</td>
<td>Commission for the eradication of criminal acts of corruption</td>
<td>Establishment of the Corruption Eradication Commission, including the commission’s duties, authorities and obligations.</td>
</tr>
</tbody>
</table>
Other relevant regulations are related to bureaucratic reforms at central and local government levels that address the criticism of the patronage system and the resulting corrupt behavior of government bureaucrats (Tjiptoherijanto, 2008; Kristiansen et al., 2009). One way to address this is by developing strong institutions, aiming at a

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### Table 1.2. Continued

<table>
<thead>
<tr>
<th>No.</th>
<th>Law Number</th>
<th>Title</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.</td>
<td>Law No. 46/2009</td>
<td>Corruption Court</td>
<td>The law authorizes the legal authority of the court and the creation of a nationwide system of provincial anti-corruption courts. This system is expected to lead authorities to prosecute a wider variety of cases around the country, and could improve the investigation and prosecution of big cases involving alleged graft across the country.</td>
</tr>
<tr>
<td>5.</td>
<td>Law No. 8/2010</td>
<td>Prevention and Eradication of Money Laundering</td>
<td>The law ensures that KPK has power to handle money laundering crime as long as the predicate crime is corruption. The law also authorizes the KPK, customs office, National Narcotics Agency and Taxation Directorate General to investigate cases of money laundering together with the national police. Under the law, KPK detectives have access to financial intelligence reports processed by the Indonesian Financial Transaction Reporting and Analysis Center (PPATK). The law enhances the PPATK's powers of examination, allowing it to temporarily freeze transactions as well as to collate, analyze and disclose suspicions of money laundering. Financial institutions must report to the PPATK any suspicious financial transactions, cash transactions in the amount of at least IDR 500 million or its equivalent, whether in one or a series of transactions in a single working day, as well as any cross-border financial transactions.</td>
</tr>
<tr>
<td>6.</td>
<td>Law No. 13/2006 as amended by Law No. 31/2014</td>
<td>Protection of Witnesses, Victims and Whistleblowers</td>
<td>The law stipulates that whistleblowers cannot be prosecuted for their statements unless they are made in bad faith. The Witness and Victim Protection Agency may be assigned and authorized to provide protection and other rights for witnesses, victims and whistleblowers. If a whistleblower is also an offender, they may receive a reduced penalty as a justice collaborator.</td>
</tr>
<tr>
<td>7.</td>
<td>Presidential Regulation No. 87/2016</td>
<td>Eradication of Extortion or Illegal Levies</td>
<td>The regulation is expected to remove the extortion practice by public officials to citizens and private sectors, create a better and transparent public service, and maintain the business climate in Indonesia.</td>
</tr>
</tbody>
</table>
professional civil service and efficient government bureaucracy. Together with corruption eradication strategies, bureaucratic reform has been on the highest priority list of the current administration. Reform started in 2004 and covers various strategies and approaches. These strategies include revising a number of regulations on the state apparatus, designing new instruments for the recruitment, promotion, and personnel salary systems, and developing tools to improve the quality of bureaucratic performance and public services. In 2008, the policy began including new laws that punish public officials for failing to serve the public.

1.2.4. Implementation and Enforcement Challenges Regarding Anti-corruption Measures

The presence of anti-corruption agencies and extensive regulations do not necessarily guarantee the success of eradicating corruption. The fight against corruption has to be accompanied by efforts of all law-enforcement agencies to enforce laws, monitor officials’ behavior and acts, and to implement sanctions if corruption is detected and proven (UNODC, 2015).

Jain (2001: 83-84) proposes four enforcement mechanisms that are relevant to an individual’s assessment of the costs of engaging in corruption: (1) the probability of being caught (existence of penalties), (2) the commitment of enforcement agencies, (3) the independence and quality of the judiciary, and (4) equal access to the law for everyone. Such effective enforcement mechanisms are expected to increase the risks of corrupt acts, and thus reduce the incentives of officials to engage in corruption.

In the case of Indonesia, while there is progress in establishing anti-corruption measures, not all enforcement mechanisms are implemented effectively. The main issue is related to the mechanisms of enforcing sanctions or penalties. Many argue that court judges impose lighter prison sentences and monetary sanctions on corruption convicts than what prosecutors demand, thereby not creating a deterrence effect.12

Under the Anti-Corruption Law, an anti-corruption court may impose the following penalties: a fine ranging from IDR 50 million to IDR 1 billion (approx. USD 75,000); imprisonment for up to 20 years; and, in extreme cases, life imprisonment. Nevertheless, in practice legal sentences given to corruptors are lower. As reported by Indonesia Corruption Watch research, in 2013, corruptors received a punishment prison sentence of 2 years and 11 months on average. In 2014, out of 479 corruption convicts as many as 372 received less than four years’ imprisonment, with an average of 2 years and 8 months. Meanwhile, in the first quarter of 2015, the average sentence for corruption was 2 years and 1 month.13 Public officials consequently do not feel at risk of being caught for corrupt

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practices, also because many can even avoid sanctions altogether due to the weak system of legal punishment (Martini, 2012).

A second problem is the combination of weak enforcement mechanisms and the non-compliance of public officials to obey or support anti-corruption initiatives. As part of Law No. 28/1999 on State Administrators to be Clean and Free of Corruption, Collusion and Nepotism (see Table 1.2. number 1), high-ranking public officials, lawmakers, and political appointees are required to file annual wealth reports to the KPK. Despite continuous socialization and repeated warnings by the KPK and the Administrative and Bureaucratic Reform Ministry, the commitment of government officials to submit asset declarations is considered low. KPK data reveals that in 2014 only 28.3% of the officials fulfilled their obligation. Those with the lowest level of compliance were found at local parliament (local council) members.¹⁴ Noncompliant behavior in public officials could be happening because the regulation is not strongly supported by administrative and criminal penalties. Those who refuse to declare their assets or provide false information are subject only to administrative sanctions, such as delayed promotion, removal from certain positions, or salary reduction.

Third, despite the establishment of anti-corruption rules, the lack of commitment of public officials to fight or resist corruption is problematic (Ganie-Rochman & Achwan, 2016). For example, on 20 October 2016, President Joko Widodo signed a regulation on the Eradication of Extortion or Illegal Levies (called saber pungli). It was enacted as part of the government’s institutional reforms and after a sting operation by a group of public officials at the Ministry of Transportation that resulted in the arrest of two civil servants, four other people and the confiscation of more than IDR 60 million (approx. USD 4,500) in cash and more than IDR 1 billion in bank accounts.¹⁵ Only one day after the enactment of the regulation and taskforce, a website of public complaints reported at least six alleged illegal levies.¹⁶ Three months later, the illegal levies eradication special unit caught red-handed a group of civil servants that included the head of the Bandung City Integrated Investment Service Agency, two division heads, and three staff members. They were allegedly involved in illegal levies practice. The investigators said the six suspects played different roles; from collecting illegal levies, trying to gain government permits, to distributing money among themselves.¹⁷ This arrest was followed by investigations and arrests of more public officials involved in extortion or bribery cases at central and local governments. The extortion cases presented above show that despite the presence of

formal control and anti-corruption laws, corrupt public officials continue routinely accepting additional payments that are actually against the law.

A final issue relates to the independence and quality of the judiciary. The Supreme Court publicly reports public officials and individuals who bribe bad judges, prosecutors, and court staff to escape from verdicts, to gain lenient sentence, or to win election dispute. Indonesia’s law-enforcement departments and judiciary are also among the corrupt agencies and subject to political influence (Martini, 2012). The independence of judges and prosecutors at corruption trials may be at stake when these officials feel pressure or are threatened by powerful figures to make court decisions against the law, such as procedural delays or acquittal from judicial processes. More importantly, despite the general public’s greater support, the KPK has to deal with many challenges, such as standing up against political pressures to dismiss KPK members and intervening in general, thereby facing an intense fight back from corrupt actors.

The above shows that changing Indonesia’s government structures, strengthening anti-corruption agencies, intensifying monitoring, and imposing sanctions are essential tools to battle corruption, but they have their limits. Firstly, formal anti-corruption strategies (law enforcement) may not effectively suppress systemic corruption, which usually involves high-level government leaders, who have the power to bend laws to their own benefit. This makes sanctioning strategies less effective (Persson, Rothstein, & Toerell, 2013). Secondly, as control and sanctioning capacity increases, this will lead corrupt actors to change their strategy and seek other forms of corruption with lower detectability. Thirdly, there is evidence that an individual’s willingness to comply with the rules and norms tends to decay, because not all compliant acts are or can be observed by an authority and thus cannot be rewarded (Kugler, Verdier, & Zenou, 2005; Schweitzer, 2005; Shleifer & Vishny, 1993). Hence, the perceived costs of norm compliance at a certain time may no longer outweigh the potential gains resulting from behavioral confirmation for compliance.

1.3. Overarching Research Question

Based on the above, this study assumes that in the case of Indonesia, it may not be an adequate strategy to emphasize formal institutions in addressing the causes of corruption or to focus on measures to eradicate corruption. In this dissertation, we argue that Indonesia’s ongoing anti-corruption efforts can gain from a deeper understanding of the why and under which social conditions public officials engage in or refrain from corruption. This study proposes that focusing on the role of informal institutions may contribute to successfully addressing the above challenges to formal institutions.

With informal institutions, we refer to social relations and norms that may affect officials’ behavior, such as to engage in, rationalize and justify corrupt action (Helmke & Levitsky, 2004). Informal institutions can be viewed as self-enforcing, which includes customs, societal norms, relations, and unwritten codes of conduct that regulate individuals’ interactions and affect their behavior in a particular situation at a particular
time (Helmke & Levitsky, 2004; Nee, 2003; North, 2005; Ostrom, 2005). To illustrate, the two extortion cases presented above (see page 18) show that there were covert networks between different types of civil servants and private actors. These networks were likely based on trust and reciprocity, which can be fostered by repeated informal interactions and norms.

Since informal institutions, such as norms, are considered difficult to detect and slow to change (Christiansen & Neuhold, 2012; North, 2005), this could explain why unethical behavior (e.g., receiving bribes) can become a habitual way of executing government policy and why corrupt behavior is so hard to eradicate (Anand, Ashforth, & Joshi, 2005). Therefore, in the view of this study, an actor's social network, relations and norms are important factors in shaping corrupt behavior in public officials.

This research thus focuses on a sociological approach to corruption by studying the mechanisms that regulate the manner in which formal and informal institutions in Indonesia facilitate, motivate and govern corrupt transactions. The overarching research question of this dissertation is: How can variations in the form and levels of corruption in Indonesia be explained by (1) relational and social norms dimensions of informal institutions, and (2) how can their interplay with formal institutions be used to combat corruption?

1.4. An Institutional-Relational Perspective on Corruption

The main theoretical assumption of this study is that together with formal institutions, informal institutions play a salient role in explaining why public officials engage in corrupt deals (Acemoglu, Johnson, & Robinson, 2004; Rose-Ackerman; 2001). This study focuses particularly on the relational and social-norms dimensions of informational institutions, which we label a (1) relational and (2) social-norms approach to corruption. Below we discuss the two approaches.

1.4.1. A Relational Approach to Corruption

A relational approach conceptualizes corruption as a dynamic process that occurs in the social interaction between two or more actors, of whom at least one is a public official with public power. This study combines insights from social capital theory and relational model theory to study the relational dimension of corruption (Nielsen, 2003; Warburton, 2013).

Building on social capital theory, a straightforward cost-benefit framework for how actors decide on exchange partners in corruption guides this research. Since corrupt transactions are illegal, engaging in them comes at some risk. Therefore, the successful completion of a corrupt transaction requires mutual trust in the ability and willingness of the involved parties to keep their promises (Granovetter, 2004). Consequently, individuals prefer to enact risky transactions as part of an embedded exchange relation rather than as a mere give-and-take exchange (Cartier-Bresson, 1997). In choosing exchange partners, an assumption is that individuals prefer to invest in social relations with resourceful
others rather than less resourceful others (Flap & Völker, 2013). Resourcefulness can be based on the control of a variety of valuable material or immaterial goods (Ashforth & Anand, 2003; De Graaf & Huberts, 2008), such as decision rights, information, or money. Another assumption is that changes in any institutional context that impact on the relative resourcefulness of different types of (potential) exchange partners (Lambsdorff & Teksoz, 2005) will lead individuals to adapt their investments in social relations toward those that yield the highest expected relative payoff at the lowest expected risk. Hence, changes in the institutional context may make some categories of relations more efficient and attractive than others in helping the individual to produce the desired outcome via embedded relations, and individuals will prefer to engage with the more efficient ones.

Different types of actors have different opportunities and constraints regarding access to social capital for corruption purposes, due to their status and position within the organization. For example, higher-level officials have greater opportunities to force lower-level officials to support corrupt acts and to control the covert network (Ashforth & Anand, 2003; Palmer, 2008). To reduce the possibility of being caught, powerful leaders can also decide to restrict the transaction to a limited number of actors, or they can distance themselves from direct transactions by adding an intermediary or a third party to the network. The loyalty of lower-level officials (e.g., bureaucrats) to superiors or coworkers may explain why some public officials engage in corruption despite the high risks and uncertainties. External parties may rely on close ties to powerful actors in government to increase their chance of gaining illicit profits (e.g., in a form of a government project or permit), and to reduce the risk of being caught, as the powerful actor may protect them from law enforcement.

The above implies that corrupt exchanges can be embedded in multiple ways, depending on the actors involved and their resourcefulness, opportunities and constraints. Based on relational model theory, we distinguish four types of relationships in which corrupt exchanges can be embedded (Fiske, 1991). In its most basic form, corruption refers to a dyadic relationship involving the exchange of some kind of profit (a bribe) for the return of some other profit (a favor), also called market pricing. In addition to this type of corrupt exchange, corruption can be embedded in communal sharing relations that reflect a bilateral exchange between actors, in which both actors have close informal relationships (e.g., friendship, kinship). Corrupt exchanges can also be embedded in equality matching relations, which represent work relations between two actors that lead to collaboration. Finally, corruption can become possible because of authority ranking, referring to a direct tie between a superior and subordinate, indicating that the latter is dependent on the former.

These four categories of relationships, combined with the assumptions from social capital theory, provide theoretical guidance to this study into corruption in Indonesia. In addition, the aim is to take into account the complexities of the relational dimension of corruption. Corruption is often studied as a dyadic relation between a public official (with public power) and a client (a private actor or a public official) who asks for services or support from the government. However, in complex corruption cases, transactions may
Chapter 1

not always take place in dyadic relationships. Such cases might involve third parties in the exchange of profits, or even multiple sets of dyads and triads comprise the corruption networks, requiring the analysis of corruption at the case level. Thus, this study analyzes corruption at the dyadic, triadic and case level.

This dissertation is further structured as follows. Chapters 2, 3, and 4 examine the relational dimensions of corruption in Indonesia. Chapter 2 explores the landscape of corruption in local government in the pre- and post-decentralization phase. It provides a descriptive overview of the components of corruption cases, including the type of corruption, the number and type of corrupt actors, and the types of relations.

Chapters 3 and 4 extend our empirical understanding of the relational dynamics in corruption networks in two government settings in the decentralized regime in Indonesia. Chapter 3, focusing on the actor level, investigates the association between institutional settings and the structure of dyadic relations of corruption. Chapter 4 returns to the case level and investigate the changing structure of corruption networks from the perspective of relational, structural, and institutional embeddedness in Indonesia local government.

1.4.2. A Social-Norms Approach to Corruption
Corruption is more likely to become rationalized and routine when it is rooted in norms and culture. The biggest impediment to anti-corruption efforts is when people consider corruption a normal practice (Anand, Ashforth, & Joshi, 2004; Ashkanasy, Windsor, & Treviño, 2006; Panth, 2011). Therefore, we also incorporate how social norms shape actors’ preferences and views on corruption (Barr & Serra, 2010). This approach can explain how public officials can be pushed toward corruption because of their internalized values or social pressures.

Reasoning from goal-framing theory (Lindenberg, 2008; 2011), behavior is influenced by three overarching goal frames and their interplay: hedonic, gain and normative goals. Refraining from corruption implies complying with a norm, and therefore requires a salient normative goal frame. Given that the normative goal frame is inherently brittle, officials might be tempted to meet their hedonic or gain goals by engaging in corruption, given that this may result in immediate gratification or long-term gain.

The normative goal frame can become firmer if supported by external cues in a person’s environment. These cues can come from various sources, ranging for example from behavior of others to explicit signs that forbid certain behavior. This study focuses

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18 In Indonesia, both hierarchical and horizontal relationships in organizations are still deeply influenced by cultural norms that may lead to involvement in organizational misconduct, such as corruption. For example, a strong Javanese culture of “ewuh pakewuh” (uneasiness, hesitation or a refusal to speak directly about feelings or opinions) and the culture of silence describe a psychological difficulty to deal with legal issues involving a superior, senior, or close friends. These cultures can make it hard for public officials to refuse to be involved in corruption networks or to report witnessed corruption.
on leaders and peers as potential role models who can strengthen the normative goal frame in an organization. For example, when public officials observe that their leaders or peers condone corrupt practices by accepting gifts, this behavior signals that violating anti-corruption norms is acceptable, thus increasing the likelihood of corruption.

Chapter 5 focuses on this social-norms based view of corruption. Here the study builds on the findings presented in Chapter 2: following the decentralization policy, 110 out of 190 corruption cases reported in the newspapers involved one or more senior civil servants from central and local governments. Senior civil servants are bureaucrats with a strategic ‘sandwich’ position in government institutions. They may be aware when and how corruption occurs in the top level of bureaucracy and at the same time, they can be an interesting target for corruption due to their authority to decide on important government matters. A key assumption for this chapter is that senior civil servants are more vulnerable to corruption and have more knowledge of corrupt practices in the public sector compared with people in other positions in government offices. The chapter focuses on factors that influence the senior civil servant’s inclination to engage in corruption. It is argued that leaders and peer co-workers complying with the rules can have a strong effect on reducing corruption of senior civil servants even where monitoring and sanctioning is weak. The reasons is that exemplary behavior of significant others provides powerful cues that increase the salience of the normative goal frame.

1.5. Four Empirical Studies
This dissertation addresses relational and social-norms dimensions of corruption in Indonesia in four empirical chapters. Figure 1.1 (below) presents a schematic conceptual model of the dissertation. It is followed by a discussion of the specific topics of each chapter.
Figure 1.1. Visual summary of the empirical studies in this dissertation

1.5.1. Chapter 2: Institutional Change and Corruption of Public Leaders

Scholars argue that despite the increased attention to anti-corruption studies, research focusing on the organizational setting in which corruption takes place – whether by two actors or a group of actors in one or more organizations – requires deeper investigation (Pinto, Leana, & Pil, 2008). As previously mentioned, Indonesia decentralized its government structures in the late 1990s. In the centralized regime, corruption was marked by the patronage characteristics of powerful central government officials and clients (Schwarz, 2004), while local public officials had limited discretion to gain illicit profit, unless they had close ties and access to the central government. In contrast, decentralization brought greater power to the regions, which influenced the social capital of public officials in managing local resources. This also created a new set of risks and opportunities of corruption at the local level (Kristiansen et al., 2009).

To organize current knowledge on institutional change and public leaders’ corruption in Indonesia, this chapter considers the effect of shifting institutional arrangements from the centralized to the decentralized regime. We argue that the change in institutional settings somewhat changed the nature of corruption networks at the local...
level, particularly in terms of types of corruption and number of actors involved. Chapter 2, therefore, addresses the following research question: *How did corrupt behavior in local public leaders change after the decentralized democratic system was implemented in Indonesia?* The chapter presents an exploratory, descriptive analysis of a set of 200 corruption cases at the local level in both pre- and post-decentralization regimes in Indonesia and proposes a framework for further empirical investigation.

**1.5.2. Chapter 3: Institutional Change and the Dyadic Structure of Local Corruption**

Although much work has been done to study decentralization and corruption separately, very few studies deal with corruption explicitly linked to decentralization (Kolstad & Fjeldstad, 2006). Scholars argue that various types of decentralization may affect levels and forms of corruption differently in decentralized countries (Hofman, Kaiser, & Schulze, 2009; Martini, 2012).

As described earlier, local government in Indonesia experienced two phases of decentralization. This chapter suggests that changes occurring between the first and second phases of decentralization, particularly with regard to changes in local election mechanisms and the distribution of power between local executive and local parliament, significantly shaped local public leaders corruption networks. The research question of this chapter therefore is: *How did Indonesia’s transition from a representative to a direct democracy change the relational structure of corruption at the local level?*

Building on social capital theory (Coleman, 1986; Wittek, Snijders, & Nee, 2013), this chapter assumes that corrupt actors engage in illicit transactions if these provide greater benefits than the risks of being caught or detected. To mitigate the trust problem inherent in illicit and risky economic transactions, beside non-embedded relations (i.e., pure economic exchange), corrupt relations can be embedded in power or informal ties. We argue that the riskier (illicit) economic transactions are, the more likely they will be embedded in social relationships that reduce the likelihood of detection.

In the first phase, with the powerful local parliament, corruption at the local level resembles the patronage system of traditional rulers in the New Order regime, as heads of region were accountable to and thus dependent on the local council. In contrast, during the second phase, the local executive’s greater discretion makes both the head and deputy of the region more vulnerable to bribery from external actors, especially as their relationship with the external party increases. Therefore, corrupt transactions embedded in a formal authority relationship increasingly take place between the local executive and local civil servants (rather than between the local council and local executive) and corrupt transactions embedded in informal relationships increasingly take place between private parties on the one hand, and both the local executive and local civil servants on the other hand.

**1.5.3. Chapter 4: The Changing Structure of Corruption Networks**

The study investigates to what degree Indonesia’s large-scale institutional changes, such as Indonesia’s decentralization, affect the content and structure of social embeddedness
Chapter 1

of corruption at the network level. According to a social embeddedness perspective, the key to model and combat corruption lies in the social relations in which they are embedded. It advocates shifting the focus from illicit acts committed by an individual to the multiple kinds of relations connecting two or more parties involved in a corruption case. Illicit economic transactions, in which profit comes from exchanging one kind of good or service (e.g., a bribe) in return for some other service (e.g., a favor), constitute only one element in a complex web of multiplex relationships, composed of kinship, friendship, co-working, and formal hierarchical ties. Being important sources of interpersonal trust and moral obligations, but also of dependence, these social ties play a pivotal role in managing the risks involved in illicit transactions.

Shifting the focus of analysis from the individual or dyad to the level of corruption networks as a whole raises the question of how to capture and explain variations in the structure and content of corruption networks. How do these corruption networks look like? How does their content and structure change through time?

On the basis of a social embeddedness approach, three dimensions of embeddedness will be discussed. First, the relational dimension of embeddedness refers to the content of a tie. Given that corrupt transactions are inherently risky, a general prediction of embeddedness theory is that the involved parties will try to limit the risk of detection or defection by selecting exchange partners whom they can trust, either because they have a strong informal tie, or a hierarchical power relation that ensures compliance of the dependent party. According to relational model theory (Fiske, 1991), the relations between actors in corruption cases can be summarized in four types: the purely corrupt exchange (market pricing relationships, characterized by shallow dependence), corrupt exchange embedded in informal ties (communal sharing relationships, characterized by deep interdependence), corrupt exchange embedded in work relations between peers (equality matching relationships, characterized by shallow interdependence), and corrupt exchange embedded in authority relations (authority ranking, characterized by deep dependence).

Second is structural embeddedness. One important element of embeddedness associated with corrupt transactions are third-party intermediaries. They may play a pivotal role in facilitating and sustaining corrupt exchanges as a facilitator, guarantor, or advisor. Their strategic brokerage position may allow them to extract commissions for their services, from the briber, the bribe taker, or both.

Third is the institutional embeddedness of social and economic relations, which focus on the impact of the role structures in changing institutional context on the strength and type of dependence relations between exchange partners. Since decentralization led to a significant reallocation of power in the administration, the kind of role structures that were dominant in the first phase were likely to be different from those in the second phase of decentralization in Indonesia.
1.5.4. Chapter 5: Giving a Good Example? The Effect of Leader and Peer Behavior on Corruption in Senior Civil Servants

The traditional (economic) approach to fight corruption suggests that increasing the risks (costs) of corruption through establishing strict and effective monitoring and sanctioning policies will lower vulnerability toward corruption (Della Porta & Vannucci, 2012; Warburton 2013). However, these anti-corruption measures yield mixed results at best, raising questions about the theoretical foundations.

Due to the limitations of sanctioning and monitoring systems in controlling corruption (Lambsdorff, 2009; Mungiu-Pippidi, 2011; Persson, Rothstein, & Toerell, 2013), this chapter proposes, develops and empirically tests an alternative approach to corruption: Goal-framing theory. We argue that since monitoring can never be perfect, compliance to rules and norms requires a salient normative goal frame that stipulates the importance of refraining from corruption. However, since this goal frame is inherently brittle, it needs constant reinforcement through cues that operate next to formal monitoring and sanctioning mechanisms. We expect that when the behavior of leaders and co-workers signals the importance of refraining from corruption that constitutes a powerful cue to increase the salience of the normative goal frame of civil servants and reduces the likeliness of their engaging in corruption. The study thus aims to answer the research question: How and under what conditions does the compliance behavior of leaders and peers affect the decision by senior civil servants to engage in corruption.

1.6. Study Design and Research Methods

Collecting data and measuring corruption is challenging (Collins, Uhlenbruck, & Rodriguez, 2009). Since information on corruption is hidden and limited. Actors are not interested in sharing information with researchers. This makes it hard to gain access to relevant populations and achieve accurate information (Jain, 2001; Olken & Pande, 2011).

Current corruption research is diverse in focus and method applied. For example, there are laboratory experiments into micro-level processes (Abbink, 2006; Armantier & Boly, 2006) and cross-country perception indices constructed by international institutions (Bohn, 2012), as well as survey data (Olken, 2009), panel data (Vial & Hanoteau, 2010), expert interview data (Jansics & Javor, 2012; Persson, Rothstein, & Toerell, 2013), or a combination of different data sources. These studies range from theoretically guided tests of hypotheses to inductive, explorative empirical investigations. The current research aims to add to these studies by looking into micro-level conditions of real corrupt behavior with a mixed-method research design based on two main data sources, namely newspaper reports and a vignette survey.
1.6.1. Newspaper Data, Dyad Census and Role Analysis

1.6.1.1. Data Sources

Chapters 2–4 needed relational data on corruption networks, as a relational approach to corruption is their point of departure. This study uses real incidents of corruption drawn from national and local newspapers as the primary data source. The reason for using newspaper data is that newspapers provide information when other sources (e.g., statistical, interview or observational data) are unavailable or difficult to obtain (Franzosi, 1987; Kukutschka & Kelso, 2016; McCarthy, McPhail, & Smith, 1996), which is very much the case for corruption research.

According to Brunetti & Weder (2003: 1801), “[I]ndependent journalists have a strong incentive to investigate and uncover stories of wrongdoing.” Hence, a collection of corruption cases based on newspaper articles represent examples of what one could call ‘failed’ corruption cases, since they were detected. Given that the media is known to be attracted more to some issues than others – for example, major social problems attract higher public and media interest (Downs, 1972) – the sample featured in the current research cannot be considered to produce a representative picture of corruption networks in Indonesia. Nevertheless, this sample offers the opportunity to explore variability in the social-structural foundations of these particular cases in the two phases of decentralization and are a first step in answering the research questions of this study.

The Jakarta Post was the point of departure for data collection. It is the leading daily English-language newspaper in Indonesia. As one of the national newspapers, its coverage includes recent corruption occurrences at the regional level. Using The Jakarta Post as the starting point for identifying corruption cases allowed crosschecking with other newspapers, because a case reported in The Jakarta Post has some importance, and thus has a high likelihood to be covered by other newspapers.

It is argued that the media is inclined to highlight certain aspects of newsworthy cases more extensively than others because of many factors, such as economic and marketing considerations, journalists’ limitations in terms of time and space to report, or the cultural and social environment of the media organization (Beale, 2006; Entman, 2010). This required additional checks of the consistency of the reported information for each case. The cases reported by The Jakarta Post were crosschecked with information from other reliable national and local newspapers that belong to the same and different media groups (e.g., Kompas, Tempo, Republika, Media Indonesia, Pikiran Rakyat, Jawa Pos, and Lampung Pos). More importantly, the newspaper data also were crosschecked with reports and court documents from the General Attorney Office, the Supreme Court, and the Corruption Eradication Commission. Compared to the court verdict reports, newspaper reports sometimes provided even more information related to the actors’ network and the transaction processes. In addition, the process of crosschecking each case as reported in The Jakarta Post with other sources led to the conclusion that the quality of reporting in the two phases of decentralization was quite the same. We return
to the implications of using this sample for the results of this study in the Conclusion and Discussion.

1.6.1.2. Case Sampling and Coding

Utilizing the above-mentioned data collection strategy garnered 200 corruption cases as reported by journalists. For Chapter 2, there were 43 articles covering ten corruption cases reported prior to 2001. Due to limited data available for the pre-decentralization years, previous studies were also consulted for additional data and information (Aspinall & Fealy, 2010; Blunt, et al., 2012; Liddle, 1985; 2013; King, 2000; McLeod, 2000; Renoe, 2002; Robertson-Snape, 1999).

For the corruption cases after decentralization, the data are separated into cases that occurred in the first phase (2001–2004, i.e., decentralization accompanied with indirect local elections) and in the second phase (2005–2013, i.e., decentralization accompanied by direct local elections). In total, 190 cases of corruption were identified in articles appearing in The Jakarta Post in the period 2001–2013.19

The newspaper data collection was completed in three stages (see Figure 1.2). First, articles related to corruption at local levels as reported in The Jakarta Post were we identified and collected. The units of analysis are individuals (e.g., a mayor) or groups of individuals (e.g., local council) involved in corrupt transactions. Key terms included in the search were corruption, bribery, embezzlement, bid rigging, fraud, kickback, graft, favoritism, nepotism, and money laundering. The search produced 583 articles.

![Figure 1.2. The selection process for articles on corruption](http://www.thejakartapost.com)

In step two, the content of articles was reviewed, repetitions were removed and articles were listed in order of corruption case, so that the total number of corruption cases covered in The Jakarta Post could be calculated for the selected period. This check identified and removed 34 articles with repetitive information, resulting in 549 articles.

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19 [http://www.thejakartapost.com](http://www.thejakartapost.com)
covering 200 corruption cases. The third step involved crosschecking reported information from The Jakarta Post with other newspapers and official government documentation, resulting in the inclusion of 398 related articles. In total, the search yielded 947 articles on 200 cases.

1.6.1.3. Coding and Measures
For all 200 cases, information on the number and type of actors involved in corruption, and the type of relations they had with each other (see Table 1.3.) was systematically coded. This study distinguishes five types of actors: local council, local executive (e.g., governors, mayors, regent), civil servants, public officials from central government (e.g., judge, parliament member, minister), and private actors (often businesses). Actors could be coded as individuals or as groups (e.g., a business). Furthermore, various types of corruption are distinguished.

Table 1.3. The coding scheme for newspaper content analysis

<table>
<thead>
<tr>
<th>NO</th>
<th>CODING CRITERIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Number of actors per case</td>
</tr>
<tr>
<td></td>
<td>• an individual</td>
</tr>
<tr>
<td></td>
<td>• a group of individuals</td>
</tr>
<tr>
<td>2.</td>
<td>Type of actors involved from both public and private sectors</td>
</tr>
<tr>
<td></td>
<td>• local parliament (local council)</td>
</tr>
<tr>
<td></td>
<td>• local executive</td>
</tr>
<tr>
<td></td>
<td>• civil servants</td>
</tr>
<tr>
<td></td>
<td>• public officials from central government</td>
</tr>
<tr>
<td></td>
<td>• private actors</td>
</tr>
<tr>
<td></td>
<td>e.g., mayor, regent, governor, and deputy</td>
</tr>
<tr>
<td></td>
<td>e.g., senior civil servant, staff</td>
</tr>
<tr>
<td></td>
<td>e.g., judge, parliament member, minister</td>
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<tr>
<td></td>
<td>e.g., business corporations, private company director, lawyer</td>
</tr>
<tr>
<td>3.</td>
<td>Corruption type per case</td>
</tr>
<tr>
<td></td>
<td>• bribery</td>
</tr>
<tr>
<td></td>
<td>• kickback</td>
</tr>
<tr>
<td></td>
<td>• embezzlement</td>
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<tr>
<td></td>
<td>• bid rigging</td>
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<tr>
<td></td>
<td>• fraud</td>
</tr>
<tr>
<td></td>
<td>• favoritism (nepotism)</td>
</tr>
<tr>
<td></td>
<td>• money laundering</td>
</tr>
<tr>
<td></td>
<td>One case can pertain to various types of corruption</td>
</tr>
<tr>
<td>4.</td>
<td>Relation type</td>
</tr>
<tr>
<td></td>
<td>• profit transfer</td>
</tr>
<tr>
<td></td>
<td>• monetary payment (e.g., money, gift)</td>
</tr>
<tr>
<td></td>
<td>• information (e.g., pertinent information related to the transaction)</td>
</tr>
<tr>
<td></td>
<td>• rights (e.g., government project, policy approval, project approval)</td>
</tr>
<tr>
<td></td>
<td>• protection/support (e.g., legal protection, political protection, task accomplishment)</td>
</tr>
<tr>
<td></td>
<td>• organizational relations</td>
</tr>
<tr>
<td></td>
<td>• formal authority</td>
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<tr>
<td></td>
<td>• horizontal working relations</td>
</tr>
<tr>
<td></td>
<td>• kinship, friendship</td>
</tr>
<tr>
<td></td>
<td>• informal relations</td>
</tr>
</tbody>
</table>

In Chapter 3 examined the data using statistical routines, and (Robins, 2015). Operations were carried out with R software and its multiplex routines, and

(**Robins, 2015**).
In Chapter 3, the relational information was coded as follows: (1) a profit relation defined by an illicit profit transfer; (2) organizational relations; and (3) informal relations. The main one is the profit relation, because the basis of corruption is the illicit transfer of some goods or resources (i.e., material payments, information, rights, protection, or support). The profit transferred in a corruption case can be asymmetric (flowing from one person to another, but not back) or mutual, meaning that some profit is given and some other profit is returned. Informal relations, namely strong kinship and friendship ties were coded as mutual ties between two actors. In the category of organizational relations, two kinds of tie were coded: formal authority relations and work relations. A formal authority relation is situated in an organizational setting (i.e., government bureaucracy), and is represented by a directed, asymmetrical tie from a superior to their subordinate, indicating that the latter is dependent on the former. A work relation is also situated in an organizational setting, but is reciprocal, representing work relations between colleagues at the same hierarchical level.

In Chapter 4, the main contributing factor of corruption is a profit motive (e.g., to gain material payment, information, rights, protection, project, and support). Based on Fiske’s typology of relations, ways to acquire profit can be via market pricing (pure economic exchange) or embedded relations. Embeddedness can be seen in an authority (power) relation (authority ranking), a horizontal work relation (equality matching), and an informal relation (e.g., kinship and friendship, communal sharing). Authority and work relations are situated within an organizational setting (i.e., government bureaucracy).

1.6.1.4. Analytical Strategy
Chapter 2 descriptively explored the value of the theoretical expectations on the basis of 200 corruption cases taking place before and after the decentralization. For each of the three phases, it compares the frequency and nature of: (1) corruption, (2) the actors involved, and (3) the types of relations of the corruption networks. The first phase of decentralization is considered as a transition phase from centralization to the second phase of decentralization. This enables the study of a longitudinal trend in the composition and nature of corruption networks in terms of actors and types of relations.

Chapter 3 examined the data using a dyad census, which provides information on three classes of dyads in directed graphs: a mutual dyad, an asymmetric dyad (directed one way, directed in reverse), and a null dyad (if there is no tie either way between two actors) (Robins, 2015). Operations were carried out with R software and its `multiplex` and `stringr` routines, and scripts written for the purpose of this study. To determine whether the data support the hypotheses, we performed a series of statistical-significance tests using the non-parametric Mann-Whitney U test. The Mann-Whitney U test ranks all

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20 The personal relations were coded based on the intense informal friendship and kinship ties between two actors. Intense friendship and kinship ties can be developed between actors in government organizations or between public officials and private actors in the network. Relatively weak relationships between colleagues were coded as horizontal working relations.

21 Indeed, informal relation can also be asymmetric. However, our data coded those relations as mutual ties.
Chapter 1

observations from both phases and then sums the ranks from one of the phases, which sum is compared with the expected rank sum (Huizingh, 2007).

Chapter 4 focuses on the multiplex sets of the actors, considered at the level of the corruption case. The data was analyzed using role analysis that examined the precise composition, nature and context of the cases that belong to the most dominant role structures in the sample (comprising a combination of Fiske’s four relational types and the identified triadic structures).

1.6.2. Vignette Experiment Data and Multilevel Analysis

1.6.2.1. A Vignette Experiment Applying a Factorial Design
Chapter 5 aims to study the social-norms dimension of corruption. Considering the secrecy of corrupt acts and the fact that people tend to be reluctant to share their experiences as either bribers or takers of bribes and tendency to give socially desirable answers, it is difficult to study the normative dimension of corruption directly. Therefore, we turned to perceptions and corrupt intentions as two important proxies to study corruption (Serra & Wantchekon, 2012). Perceptions and intentions were not asked for directly though. Instead, we collected primary data with vignettes. These vignettes used third person scenarios to limit socially desirable answers. Respondents were asked what they think the person in the scenario will do (not what they would do themselves). Previous studies have found that presenting hypothetical scenarios to respondents reduces the social desirability bias as compared to responses from direct questions about personal involvement in corruption (Braun & Clarke, 2013; León, Arana, & de Leon, 2013).

The scenarios featured a fictional senior civil servant (without mentioning name, gender, and age) in the strategic position of being able to select a company for a certain government project. A candidate company approaches the senior civil servant and offers a gift (bribe) in exchange for the contract. We chose to do a bribery case, because my previous work indicated that bribery (i.e., either monetary payment or other rewards in exchange for government services) is the most prevalent corrupt practice in the public sector in Indonesia. The scenarios varied the conditions regarding the effectiveness of monitoring and sanctioning (formal institutions) as well as the presence of cues priming the normative goal frame (operationalized as (in)appropriate behavior by leaders and peers). The vignette questionnaire was translated into Indonesian and was piloted on a control group civil servants who did not participate in the study. The aims of the pre-test were to assess readability, remove inconsistencies, and confirm the scenario content.

The data collection process included principles of voluntary participation, anonymity, and confidentiality. The questionnaire was assessed and approved by the Ethical Committee of Sociology Department University of Groningen. The questionnaire cover letter contained a brief explanation of the study and mentioned the ethical considerations of data collection. Respondent was asked to sign the consent form to indicate their willingness to participate in the survey.

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1.6.2.2. Respondents

Conducted in April–June 2015, the survey focused on senior civil servants (N=580) from various central and local government agencies attending leadership courses at eight training centers coordinated by National Institute of Public Administration (see Table 1.4).

**Table 1.4. Number of respondents per training center**

<table>
<thead>
<tr>
<th>No</th>
<th>Leadership Training center</th>
<th>Number of class</th>
<th>Number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Center for Leadership Training for Apparatus (Pusdiklat KAN) NIPA Jakarta (class A)</td>
<td>1</td>
<td>58</td>
</tr>
<tr>
<td>2.</td>
<td>Pusdiklat KAN NIPA Jakarta (class B)</td>
<td>1</td>
<td>56</td>
</tr>
<tr>
<td>3.</td>
<td>Center for Research and Education and Training for Apparatus (PKP2A) I LAN Bandung</td>
<td>1</td>
<td>60</td>
</tr>
<tr>
<td>4.</td>
<td>PKP2A II LAN Makassar</td>
<td>1</td>
<td>60</td>
</tr>
<tr>
<td>5.</td>
<td>Education and Training Agency (Badan Diklat) of Yogyakarta Province</td>
<td>1</td>
<td>57</td>
</tr>
<tr>
<td>6.</td>
<td>Badan Diklat of West Java Province</td>
<td>1</td>
<td>60</td>
</tr>
<tr>
<td>7.</td>
<td>Badan Diklat of Central Java Province</td>
<td>1</td>
<td>52</td>
</tr>
<tr>
<td>8.</td>
<td>Badan Diklat of East Java Province (class A)</td>
<td>1</td>
<td>60</td>
</tr>
<tr>
<td>9.</td>
<td>Badan Diklat of East Java Province (class B)</td>
<td>1</td>
<td>60</td>
</tr>
<tr>
<td>10.</td>
<td>Badan Diklat of Bali Province</td>
<td>1</td>
<td>57</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td><strong>10</strong></td>
<td><strong>580</strong></td>
</tr>
</tbody>
</table>

Having the senior civil servants fill in the surveys during their training was helpful in reaching a sufficient variety of respondents and to achieve an acceptable response rate. The respondents needed some instruction and assistance with filling in the survey, given that it was an unusual format for them.

The leadership-training program allowed us to be present to support and motivate the civil servants to fill in the survey. At the training location, a neutral environment for the respondents, there was more time available to fill in the survey than in normal working hours. In addition, internet connections are not optimal in all parts of Indonesia, which makes conducting an online survey not always possible. Distributing the survey by post was expected to lead to very low response rates. Moreover, conducting the survey during the leadership training enabled the collection of information from respondents coming from all over Indonesia. This was important because the Indonesia system is decentralized and the nature of senior civil servant work may differ per region, alongside differing organizational norms and practices.
1.6.2.3. Analytical Strategy

The research methodology of this study utilizes statistical tests developed for modeling repeated measurement of multilevel data structures. Multilevel analysis considers the vignettes as the first level, which are nested in the respondents, the second level (see Snijders & Bosker, 2012, Chapter 15). The multilevel model partitions the variance between levels in the outcome measure while maintaining the appropriate level of analysis for independent variables. Therefore, it can model both the vignette- and individual-level predictors discussed in this study. The analyses were estimated using the MLwiN package.

1.6.3. Overview of the Dissertation

Given that the four empirical chapters were originally written as journal articles, several use the same data sources. Therefore, some degree of overlap and repetition between chapters cannot be avoided, particularly with regard to details on the data. Table 1.5 summarizes the specific focus of each chapter, giving the research questions, the theoretical focus, and the data and analytical method used.

Table 1.5. Overview of empirical chapters

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Research Question</th>
<th>Theory</th>
<th>Data &amp; Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>How did corrupt behavior in local public leaders change after the decentralized democratic system was implemented in Indonesia?</td>
<td>Institutional and social capital</td>
<td>Corruption cases (N=200)</td>
</tr>
<tr>
<td>3</td>
<td>How did Indonesia’s transition from a representative to a direct democracy change the relational structure of corruption at the local level?</td>
<td>Rational choice and social capital</td>
<td>Corruption cases (N=190)</td>
</tr>
<tr>
<td>4</td>
<td>How does institutional change affect the content and structure of social embeddedness of corruption at the network level?</td>
<td>Social embeddedness &amp; relational model theory</td>
<td>Corruption cases (N=190)</td>
</tr>
<tr>
<td>5</td>
<td>How and under what conditions does the compliance behavior of leaders and peers affect the decision by senior civil servants to engage in corruption?</td>
<td>Goal framing</td>
<td>Senior civil servants (N=580)</td>
</tr>
</tbody>
</table>