



# Anti-corruption for development plan 2008–13

## Background

Indonesia and Australia both view corruption as a development issue. Corruption damages public trust and accountability and distorts the allocation of public resources, reducing economic growth and increasing poverty. Indonesia's National Action Plan for the Eradication of Corruption 2004–2009 (RAN-PK) states:

*Corruption in Indonesia is a disturbing phenomenon that has spread and expanded to the executive, legislature and judiciary. This has been one of the main factors that hampers Indonesia's development. Government failure in eradicating corruption also weakens the Government's image in the eyes of its people, which is reflected in the form of public distrust, public disobedience of the law and an increase in the absolute poverty rate.*

As Indonesia's largest bilateral grant donor, Australia plays an important role in assisting Indonesia to reach its anti-corruption objectives. While development assistance under the Australia Indonesia Partnership represents less than 0.5 per cent of overall Indonesian Government expenditure, properly targeted this assistance can have much broader benefits. The Partnership views anti-corruption assistance as a means of improving the effectiveness of Indonesia's overall development budget and, in particular, ensuring better development outcomes for the poor. The Partnership believes that without tackling corruption in Indonesia, the Millennium Development Goals will be very difficult to achieve.

This Anti-Corruption for Development Plan (the 'Plan') reflects the desire of both governments to cooperate to combat corruption in Indonesia, with the ultimate aim of improving social and economic development. This Plan sits underneath the Australia Indonesia Partnership Country Strategy 2008–2013. Anti-corruption is a high-priority, cross-cutting issue that will be implemented and monitored across the Country Strategy.

Both the Australian and Indonesian governments have demonstrated strong commitment to combating corruption in international and domestic spheres, by ratifying multilateral agreements such as the United Nations (UN) Convention Against Corruption (UNCAC) and by implementing measures to prevent, detect and sanction domestic and transnational corruption crimes. In 2008, the Indonesian Government highlighted the strong political will it has behind its anti-corruption effort by hosting the Second Conference of States Parties to the UN Convention Against Corruption.

While corruption in Indonesia remains a very serious problem, significant inroads have been made over the decade since the country began its transition to democratic rule. The Corruption Eradication Commission (KPK) was established in 2003 and over the past 5 years has built a strong reputation and gained a high degree of public trust. In 2004 President Susilo Bambang Yudhoyono came to power on a strong anti-corruption platform and quickly passed a presidential decree on corruption eradication, calling on all parts of the Executive to play a role. In 2005, the RAN-PK was released by the National Development Planning Agency (BAPPENAS), setting out concrete action to be undertaken by the Government's Executive to

*'...in Indonesia, corruption is public enemy number one. We deplore it, we despise it and we do not tolerate it...'*

Opening Address, Indonesian Government, Second Session of the Conference of the States Parties to the UNCAC, Bali, Indonesia January 2008

reduce and prevent corruption. These efforts by Government have also been accompanied by a blossoming of civil society groups and the emergence of a vocal media.

The Indonesian Government's opening address for the Second Session of the Conference of the States Parties to the UNCAC reads:

*I cannot emphasise enough that in Indonesia, corruption is public enemy number one. We deplore it, we despise it and we do not tolerate it ... When corruption is widespread, it diminishes the quality of life of an entire nation, especially those who are poor. It breeds other crimes and erodes the moral fibre of society ... It is a huge barrier to our drive towards the Millennium Development Goals.*

## Goal

This Anti-Corruption Plan is a five-year joint action plan representing Australian support to Indonesia's anti-corruption efforts by mainstreaming anti-corruption assistance across the aid program.

It is envisaged that this Plan will be the first step in a longer-term partnership between Australia and Indonesia with the goal of *assisting to bring about a sustainable reduction in corrupt behaviour for the purpose of improving economic and social development in Indonesia.*

## Scope

In line with its aim of supporting Indonesia's efforts to reduce corruption, this Plan reinforces the three main pillars of the 2004–2009 RAN-PK: (i) prevention; (ii) enforcement; and (iii) monitoring and evaluation. Implementation of the Plan will also be guided by Australia's anti-corruption approach of: (i) building constituencies for anti corruption reform; (ii) reducing opportunities for corruption; and (iii) changing incentives for corrupt behaviour.<sup>1</sup>

The Plan is divided into four parts: Guiding principles; Key areas of assistance; Approaches for implementation; and Monitoring and evaluation.

## Guiding principles

The Australia Indonesia Partnership's *anti-corruption assistance* will be guided by the following principles:

- > *Assistance will support and be guided by the Indonesian Government's priorities in anti-corruption*, with geographic and sector areas of focus determined jointly by both governments as part of regular dialogue in Country Strategy implementation.
- > *Both governments will promote a dialogue between their respective ministries and agencies*, with the aim of contributing to the policy debate underpinning the Indonesian Government's decisions on key issues in anti-corruption. For example, Australian Government departments and agencies will work together to harmonise their anti-corruption assistance under the Australia Indonesia Partnership.
- > *Australia will engage strongly with other donors and civil society and encourage coordination, cooperation and support for the Indonesian Government's anti-corruption agenda.* Australia efforts will complement, not substitute for, the KPK's strong leadership on donor coordination.
- > *Assistance will remain flexible, allowing it to respond to changes in Indonesia's anti-corruption strategy.* In particular, the proposed revision of RAN-PK in line with the

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<sup>1</sup> *Tackling Corruption for Growth and Development*, AusAID, March 2007.

UNCAC, as well as the development of Indonesia's next Medium-Term Development Plan and the prospect of new government policies after the 2009 general elections will necessitate a mid-term review and consequent amendments to this Plan. Australia will seek to support these changes with sound analysis.

- > *In support of decentralisation of basic service delivery, assistance at the local level will be increasingly emphasised in the program.* In line with the Australia Country Strategy 2008–2013, priority provinces will be Papua, West Papua, Nusa Tenggara Timur, Nusa Tenggara Barat and Aceh. The focus of local-level assistance will be determined on a case-by-case basis, but targeted to complement existing donor and Government assistance thereby creating a cumulative effect of reduced corruption and improved governance as well as a model effect for other local governments.
- > *Assistance will be provided in a manner that supports the implementation of regional and global initiatives of relevance to Indonesia* such as the UNCAC, the Asian Development Bank /Organisation for Economic Co-operation and Development Anti-Corruption Initiative for Asia-Pacific, and the Asia-Pacific Economic Cooperation Anti-Corruption Taskforce.
- > *Assistance will be long-term with a view to contributing to sustainable reforms that benefit the Indonesian development budget as a whole.* A crucial part of the Australia Indonesia Partnership's motivation for focusing on anti-corruption is to increase the effectiveness of development assistance. The Partnership Country Strategy signals Australia's intention to move towards increased alignment with and use of Indonesian Government systems in the delivery of aid. As part of this, assistance that strengthens Indonesia's systems for administering development funding will be prioritised.
- > *Encourage collaboration between donors and the Indonesian Government in conducting anti-corruption assessments, baseline studies and monitoring of progress and performance.*

Assistance will support and be guided by the Indonesian Government's priorities in anti-corruption

Corruption risks in development activities under the Australia Indonesia Partnership will be addressed in accordance with the following principles:

- > *Activities will promote public participation through disclosure of project information with the aim of improving activity governance and oversight.* Lessons learned from corruption risks encountered will be shared with the Indonesian Government and other donors to promote transparency and continued improvement in dealing with corruption on development activities.
- > *Activities will also promote the principles of transparency and accountability among counterparts and beneficiaries of the activity.*
- > *As part of activity design, the Australian and Indonesian governments will agree on appropriate communications protocols in relation to instances of corruption.* The principle of early and open communication will apply in all cases.
- > *Activities will continue to be designed and implemented to prevent, detect and act against fraud and corruption.* Where higher levels of risk exist, an *activity-specific Anti-Corruption Action Plan* (ACAP) will be developed jointly by Australian and Indonesian Government counterparts as part of activity design. The ACAP will detail measures to reduce the risks of corruption on each activity, including through improved procurement, audit, project supervision and public engagement and oversight. Wherever possible, risk-mitigation measures will aim to strengthen existing systems, rather than introducing parallel systems. The *Subsidiary Arrangement*<sup>2</sup> for each activity will set out the respective responsibilities of Australia and Indonesia in relation to complaints handling, monitoring, audit, application of sanctions and investigation and prosecution of allegations of corruption.

Activities under the Australia Indonesia Partnership will continue to be designed and implemented to prevent, detect and act against fraud and corruption.

<sup>2</sup> The Subsidiary Arrangement is the agreement between the Australian and Indonesian Governments on the details of a new activity. It sits under the General Agreement on Development Cooperation between Australia and Indonesia.

## Key areas of assistance

### Pillar 1: Prevention

Assistance under the prevention pillar will be the main focus for the Australia Indonesia Partnership over the life of this Plan. Prevention assistance will be targeted substantially to the local level and will focus on the following key areas:

- a. Enhancing accountability and transparency of public service delivery, by strengthening government processes, especially budgeting, financial management and procurement, while building demand for sustainable improvement.
- b. Strengthening oversight of government, including by anti-corruption and audit bodies, the ombudsman, Parliamentary Committees, communities and civil society.
- c. Strengthening institutions of democracy, including the capacity and responsiveness of Parliament and the quality and integrity of electoral processes.
- d. Contributing to public sector reform in select agencies, directorates or local-government offices where reform is already underway.

### Pillar 2: Enforcement

Assistance under the enforcement pillar will focus at the central level and will address the following key areas:

- a. Improving investigation and prosecution of corruption crimes, as well as adjudication by the courts.
- b. Strengthening enforcement institutions such as the KPK and Attorney General's Office.
- c. Improving recovery of assets and return of proceeds of corruption crimes to the Government of Indonesia budget.

### Pillar 3: Monitoring and evaluation

Key areas of focus under the monitoring and evaluation pillar are:

- a. Supporting the capacity of the Government of Indonesia to assess performance against its anti-corruption goals with equal focus on administrative compliance and outcomes for end-users.
- b. Supporting non-state actors to undertake analysis on key aspects of progress on anti-corruption in Indonesia.

## Approaches for implementation

The Plan's successful implementation will require a concerted effort to 'mainstream' anti-corruption throughout Australia's aid program for Indonesia. This means holding an anti-corruption lens to all aspects of program management—from concept and design, through to implementation and monitoring and evaluation. Implementation of this Plan will involve:

- > *Strategic planning*—as the aid program aligns more with the Indonesian Government's planning for development activities, both government's will ensure that forward planning addresses the priority areas of assistance in this Plan. Sector Plans under the Australia Indonesia Partnership Country Strategy 2008–2013 will also give effect to this Plan.
- > *Analysis*—support for new Sector Plans and designs for new initiatives will include an analysis of the nature and causes of corruption (by sector) and make recommendations for governance assistance to address these issues.

- > *Performance assessment*—anti-corruption objectives have been mainstreamed throughout the Performance Assessment Framework for the Country Strategy so that annual Country Strategy reporting assesses the effective implementation of this Plan. These objectives will be translated to the operational level through sector and initiative performance frameworks and monitoring and evaluation plans.
- > *Mitigating anti-corruption risks*—where new approaches to aid delivery are being piloted or where an initiative involves higher than normal risks, an initiative-specific ACAP will be developed jointly by Australian and Indonesian Government counterparts as part of the design process (see ‘Guiding Principles’ for more detail).

## Examples of Australia’s approach to anti-corruption in Indonesia

### Institutional strengthening in the Corruption Eradication Commission

Australia’s work with the KPK has contributed to strengthened investigation capacity through training on culture and typologies of corruption, evidence handling and management, and introduction to surveillance, information handling and undercover work. Australia also supported a Training Needs Analysis which the KPK has used as the basis for developing a two-year training program which Australia and other donors are now helping deliver.

### Procurement strengthening

In 2007 Australia worked with BAPPENAS to design a program to support the national procurement strengthening agenda, a key area of focus in Indonesia’s anti-corruption plans. The main counterpart for this assistance is the newly established National Public Procurement Agency.

### Local governance

The Australian program ‘LOGICA’ was initiated as a post-tsunami governance rehabilitation program focused at the sub-district and village level in Aceh. It has since built a program of strengthening service delivery and governance through activities that emphasise building ‘Active Communities and Responsive Government’. Under LOGICA, Australia supports committed officials to establish one-stop-shops to deliver government services at the sub-district level. Through the initiative, communities affected by the tsunami can now obtain information and services related to housing allocations, approval for welfare assistance, and registration of births, deaths and marriages cheaper, quicker and more transparently than ever before. The system is so successful that sub-district governments throughout Aceh are using their own funds to replicate these reforms.

### Basic education

The Basic Education Program uses a community-based school construction approach for the construction of around 2000 schools across Indonesia. This approach empowers communities in project and budget oversight and contributes to an increased demand for better governance in basic service delivery. It is also considered the best way to ensure the quality of construction and reduce the risk of corruption.

## Monitoring and evaluation of this plan

In addition to efforts that support the Government of Indonesia's capacity to assess its own performance in addressing corruption, there is also a need to evaluate the effectiveness of Australia's contribution—both the targeted assistance and anti-corruption measures included in initiatives. In doing so, it is important that lessons are captured and subsequently inform Indonesia's anti-corruption reform agenda.

This Plan has a three-tiered approach to measuring performance under the anti-corruption plan, focusing on the macro-level, the country program level and on activity level safeguards. The questions performance assessment will address are:

1. At the country level, is corruption in Indonesia increasing or decreasing?
2. How effective is the Australian development cooperation program's contribution in supporting Indonesia to reduce corruption in accordance with the Australia Indonesia Partnership Anti-Corruption for Development Plan 2008–13?
3. How effectively is the Australian development cooperation program contributing to improved Australian and Indonesian systems to safeguard development funds from corruption?

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