

POLICY AND GOVERNANCE

C

lean or corrupt: Tsunami
aid in Aceh

Elizabeth James

06-04

Asia Pacific School of Economics and Government
THE AUSTRALIAN NATIONAL UNIVERSITY

<http://apseg.anu.edu.au>

© Elizabeth James 2006

The Policy and Governance Program at the Asia Pacific School of Economics and Government publishes a series of Discussion Papers on a range of policy issues, including issues of political institutions and institutional design, accountability and public sector management, and the relationship between political and economic reform. The Discussion Papers disseminate research quickly in order to generate comments and suggestions for revision or improvement. Since they often represent preliminary or incomplete work, citation and use of such a paper should take account of its provisional character.

The opinions contained in the series are those of the authors, and not those of the Asia Pacific School of Economics and Government at The Australian National University.

Elizabeth James <Elizabeth.James@ausaid.gov.au> is a Masters student at the Asia Pacific School of Economics and Government at ANU and a Public Affairs officer at AusAID. This paper was written for a Masters course on corruption and anti-corruption and does not necessarily reflect the views of AusAID.

Abstract

When the Indian Ocean tsunami swept across a large part of the Indonesian province of Aceh on December 26, 2004, the international response was extraordinary. People everywhere opened their hearts and their wallets to the victims. Governments, Non-Government Organisations and international agencies did likewise. In no time nearly US\$6 billion had been pledged for Aceh's reconstruction and rehabilitation. Because of Indonesia's reputation for high levels of corruption, the Indonesian Government and donors gave strong public undertakings that the funds would not end up in the wrong hands. This paper examines the problems that are likely to be encountered in meeting such an undertaking.

The Indian Ocean tsunami was the biggest natural disaster in modern times. It inflicted the most damage on the Indonesian province of Aceh where more than 150,000 people died or are still missing. The damage to land, property and infrastructure was immense.

The international community responded quickly with governments and non-government organisations, pledging close to US\$6 billion for reconstruction in Aceh. The Indonesian Government's own contribution brings the total up to about US\$9 billion.(1)

If used wisely such large sums of money have the potential to re-build a better Aceh and lift many people out of poverty. Used unwisely it could be squandered on inappropriate development or indirectly fuel tensions between villages and communities. It could de-stabilise the fragile peace process or it could be siphoned off in varying forms of corrupt activities. This paper examines the state of corruption in Indonesia and the challenges for the Indonesian Government and the international donor community in ensuring that corruption does not undermine the recovery and reconstruction process in Aceh. Corruption is broadly defined here as the misuse of public office for private gain.

Corruption in Indonesia is widespread. It includes active corruption such as bribery, passive corruption in the form of receiving favours, misappropriation and fraud, petty corruption and grand corruption. It involves small-scale transactions involving low-level public officials to large-scale misappropriation of resources at the very highest echelons of power. In 2005 Transparency International named Indonesia in a group of countries regarded as the sixth most corrupt in the world.(2) Corruption, collusion and nepotism exist at all levels of government in Indonesia. Since independence in 1945 corruption has been a fact of life for most Indonesians. During the Old Order of President Sukarno, the Indonesian economy was dominated by state enterprises and the volume of red-tape provided plenty of entry points for corruption. Very high inflation eroded the salaries of politicians and high-level public officials and lower level public servants were not paid enough to live on. Corruption served to top up salaries.

By 1966, corruption was a very significant part of the Indonesian political, social and economic landscape. It became entrenched during the New Order under the long rule of President Suharto, weaving its way through every fibre of the government bureaucracy, the courts, the police force, political parties and parliament. Even if ordinary Indonesians did not like paying bribes to have basic official tasks done, such as registering the name of a baby or applying for a marriage certificate or drivers licence, they were certainly used to it.(3)

Corruption in Indonesia is sometimes excused or explained away as a cultural practice that has the indirect effect of helpfully greasing the wheels of the economy. It is said to have its roots in the Javanese custom for subjects to give their Kings gifts and where those in exalted positions may dispense personal favours to their people. Exchanging gifts is merely a business norm-not a form of corruption. Nepotism could be explained as an extension of the tradition of putting one's family and community first and job second. Javanese society was seen as hierarchical, fixed and patrimonial and the person at the top of the hierarchy could dispense his favours as he saw fit.(4) President Suharto appears to have adopted this tradition of patronage and used it to his personal advantage during his rule despite declaring when he came to power that he would tackle corruption and aim for good government and clean government.(5) In time his power was not so much the power of the gun but the 'power of the purse'. By buying loyalty, President Suharto was able to spread the spoils of corruption so that they were disbursed through the layers of bureaucracy, making sure public officials at all levels had something to gain from the system and therefore would be less inclined, or able, to resist taking part in corrupt practices.

The oil boom of the 1970s, the injection of foreign investment and aid, economic deregulation and a degree of privatization over the past thirty to forty years has helped drive the growth of the Indonesian economy, increasing the amount of money and resources available to be potentially abused. Politicians, bureaucrats and business people have been well placed to take advantage of the economic conditions and became very experienced in misappropriation. A national survey on corruption in Indonesia in 2001 found that 87 per cent of companies considered corruption in the public sector to be common and 41 per cent said they frequently or always paid bribes

in the course of business.(6) The absence of a watchful Opposition in government, sound bureaucracy, robust institutions and free press compromised transparency and further fostered an environment conducive to corruption. With corruption so widespread, the chances of perpetrators being called to account by the law were small. This is largely because the institutions that could take action, did not because those who ran these agencies and had control over their assets and resources had much to gain and little to lose from corruption. It was not in their interest to have strong anti-corruption mechanisms.(7) This has left Indonesia with weak public institutions across the board including the police, judiciary and civil service.

Corruption is endemic within the police force. The International Crisis Group cites examples of lower ranking police officers routinely involved in petty corruption, demanding payments instead of issuing fines for motorists, demanding free meals and pocket money from business operators. The ICG says a survey of police officers in 2001 found that although about 50 per cent of officers said they were satisfied with their salaries and allowances, 83 per cent needed to supplement their incomes. (8) Because of the extent of their powers to influence the outcome of court cases, extort and provide physical protection, their rewards were often large, often in the form of houses, holidays and education for their children. With corruption rampant from the top down, there has been no-one effectively policing the police. The police system is so under-resourced that interestingly some of the ill-gotten gains are used to support operations. The ICG gives the example of a police chief, upon leaving his position, donating cars and motor bikes worth more than US\$574,000 to the Jakarta police. Yet the annual operations budget for that force was little more than US\$100,000.(9)

Like the police force, the courts are also seen to be heavily tainted by corruption. To gain a judicial appointment, a would-be judge could expect to part with large sums of money in bribes. The recruitment of prosecutors involved similar practices. Low salaries are the given reasons why judges are apparently open to both offering and accepting bribes. As a result, courts cannot be relied on to deliver fair and impartial verdicts. This has led to low trust and little confidence in the judicial system by the public. Public confidence in the court system dropped even lower in 2001 when the government lost just about all the cases it had launched against bad debts (10) and in

November 2005, even the Chief Justice of the Supreme Court was under investigation for allegedly taking bribes.(11)

Political parties have also been at the heart of corruption in Indonesia. Indonesia Corruption Watch has alleged that parliamentarians were regularly paid bribes to vote in a certain way on a bill.(12) Given that most politicians now and in the future have grown up in an environment of corruption-be it as a former military or police officer or retired bureaucrat it is unlikely they will change their ways overnight. Old habits die hard.

Indonesia's decentralization process also brings with it risks of corruption. On the positive side, decentralization means local authorities can focus on local priorities. On the negative side, there may be even fewer checks on accountability. Local authorities have been known to abuse funds during public contracting. An internal document from the World Bank cites one instance where contractors are expected to pay 25 per cent of the value of a contract to a child of the Bupati (district head) before they are awarded a contract. The Bupati uses the money to maintain political and economic influence by paying supporters in cash or giving them contracts. The amount is fixed and applies to all public contracts. Another example is a contractor having to ask relevant officials to sign a payment request. The contractor may need up to 16 signatures, paying about 50,000 Rupiah per signature. Contractors are usually paid in three installments, tripling the total amount of signature money paid.(13)

The depth of corruption from the highest levels down within Indonesia has made it difficult to stem. That a few high-profile cases have been taken to court offers some hope that some progress is being made to combat corruption. Depressingly the fact that the individuals are so senior or influential demonstrates just how deep corruption runs. These individuals include Bob Hasan, a close associate of former president Suharto and with a reputation for being very corrupt and Tommy Suharto, the president's son. Tommy Suharto was convicted of corrupt land dealings but later had his conviction overturned in the Supreme Court. He was later charged with murder and is now in prison.(14) The former Governor of Aceh, Abdullah Puteh was arrested in December 2004, charged with embezzlement and later sentenced to ten years jail for misappropriating state funds. It was claimed he marked up the cost of a Russian

helicopter to an amount roughly twice that which the Navy spent on a similar helicopter. He was also questioned over his role as a witness to a mark-up in the purchase of generators.(15) Even the Indonesian Government's former investment chief, Theo Toemion was recently detained over the awarding of a contract to promote Indonesia to foreign investors to a local firm without a tender. (16)

Greater efforts were made by the first three presidents following President Suharto to put in place mechanisms to fight corruption. Law 31/99 on corruption created provisions for alleged corrupt officials to be investigated and allowed for the establishment of an anti-corruption commission. Another law paved the way for the establishment of a Commission to Audit the Wealth of State Officials and a National Ombudsman Office. However these two bodies have been criticized for having weak powers, not enough resources and receive only token political support.

Indonesia's current President Susilo Bambang Yudhoyono has been quick to reassure the international community that his government is serious about fighting corruption. During his inaugural speech on October 20, 2004 he declared that "My administration will actively launch an anticorruption program, which, I, myself, will lead." (17) His declaration was followed by the introduction of an anticorruption program on December 4, 2004 and Presidential decree No 4 on the acceleration of the fight against corruption. However the Constitutional Court ruled on February 17 2005 that the Corruption Eradication Commission which was set up in 2003 to spearhead the fight against corruption has no retroactive authority and can't deal with cases of graft that occurred before 2003. This means that it may be difficult to bring corrupt officials and leaders of the past to justice at all.(18)

The Corruption Eradication Commission had handled 25 cases by August 2005 and 233 cases had been submitted to district courts by the attorney-general's office. Some of the latter are said to be high profile and politically sensitive.(19) It is suggested that the arrests and associated shaming are starting to make a difference to the behaviour of government officials-that they are becoming more cautious about engaging in corrupt acts. Preliminary results of a survey conducted by the University of Indonesia's Institute for Economic and Social Research found that informal payments

to government officials by businesses, especially at the local level, seemed to be getting lower than in the early years of decentralisation.(20)

The establishment of a Judicial Commission in August 2005 to monitor the performance of the country's lawyers and judges and advise on Supreme Court appointments appears promising, however its power is believed to be deficient. It can only give the Supreme Court advice on punishments, not impose them and it can't declare null verdicts influenced by corrupt practices. This remains the domain of the Supreme Court. As well as its limited powers there is also concern about how the new commission will uphold discipline.(21)

Even though it appears President Yudhoyono appears more serious about curbing corruption than his predecessors reform is needed across the board, in all government agencies, not just those with a direct relationship to the police and the courts. A strengthened public service, civil society, viable Opposition, an investigative press and a greater public awareness will be also be needed before any significant change can occur.

Aceh

The province of Aceh is among Indonesia's wealthiest in terms of natural resources. However a 30 year separatist conflict between the Free Aceh Movement, GAM, and the Indonesian military caused thousands of deaths, displaced communities and constrained economic growth. It is now one of Indonesia's poorest provinces. Even before the tsunami more than one-third of the population of Aceh and Nias lived in poverty and there were already tens of thousands of displaced people in Aceh. Since the tsunami almost half now live below the poverty line or depend on food aid. (22) Aceh's main income earners are petroleum and natural gas, fertilizer, estate produce and agriculture. However earnings from oil and gas have not benefited local people- the profits have gone to oil companies and to a small urban elite.

Aceh is also widely considered one of, if not the most corrupt province in Indonesia. The military (TNI) is believed to be the worst offender. Extortion is said to be rampant across the province, especially on main highways and is said to be carried out

almost entirely by TNI and the police.(23) It was reported that TNI was selling freely donated food to homeless Acehnese immediately after the tsunami.(24)

Corruption in Aceh is not confined to the military. It cuts across many sectors. For example a former civil servant, Muktar Kufti, gave details of corruption within the construction industry. He told of a road that had to be rebuilt the following year because it had been built too quickly. He told the BBC that ‘corruption in Aceh includes members of parliament, the executive, legislature and business. We call it ‘elective corruption’ and it’s very difficult to expose.’(25)

The tsunami devastated large parts of Aceh. Infrastructure was ruined and homes and buildings washed away. Between 80,000-110,000 new homes were needed, 3,000 kilometres of road were impassable, 14 of 19 seaports were badly damaged, 8 out of 10 airports damaged, 120 arterial and 1,500 minor bridges were destroyed, more than 2,000 school buildings damaged, more than 8 hospitals destroyed or damaged and 114 health centers destroyed. (26) Systems used to maintain administrative stability and underpin accountability such as bank records, land titles and work permits were destroyed in the disaster. Many officials who operated these systems died. From the outset it was clear the local and national capacity would be overwhelmed by the sheer size of the construction that lay ahead.

The small province which was largely unfamiliar to the rest of the world suddenly became the recipient of the largest ever international disaster response. Funds started flowing from everywhere into the province—from the Indonesian Government's own budget, from the Multi Donor Trust Fund for Aceh and North Sumatra managed by the World Bank, ‘off-budget’ resources from multinational organizations such as the United Nations, ‘off-budget’ resources from bilateral aid providers such as Australia, the United States and Japan, Non-Government Organizations and even private individuals.

Given the history of corruption in Indonesia, including Aceh, its weak control systems, law enforcement and government structures, and a construction sector known to be prone to collusion, kickbacks and other leakages, Aceh was not well placed to handle large amounts of money from a diverse range of sources, bound to different sets of

rules. Transparency International had even ranked Indonesia 133 out of 145 on its Corruption Perception Index for countries subject to a Consolidated Flash Appeal.(27)

Aware of these constraints there was wide international concern about the possibility of corruption during the relief and reconstruction phases. The UN for example asked Price Waterhouse to upgrade its online systems to track donations and monitor fraud. President Yudhoyono acknowledged international concerns about potential corruption but sought to reassure doubters during a visit to the United States. ‘In today’s Indonesia, under my watch, we will fight corruption with competence and determination. My ambition is that at the end of my term in office, corruption will be exception rather than the rule.’(28) The president had earlier enlisted the help of the international accounting firm Ernst and Young to track international relief donations and dispel concerns about corruption.

Corruption can thrive in times of disaster and when the corruption is already entrenched the possibilities for abusing emergency aid are even greater. In Aceh, food or other supplies could be taken by corrupt officials or soldiers or even abused by recipients. Early on there were reports that emergency and reconstruction funds were being misused. Officials were accused of overstating the number of people made homeless in order to get more funding and in one area an officer was accused of charging people for noodles that should have been distributed free of charge. A BBC reporter claimed corners had been cut during the building of a large government project to accommodate people left homeless by the tsunami. The reporter was concerned that the timber supporting the barracks had not been attached to the foundations. Indonesia Corruption Watch says it heard reports that bureaucrats were reselling donated rice in Aceh and aid supplies were being pilfered before arriving in the capital Banda Aceh.(29)

Even the media was touched by allegations of corruption. On September 12, 2005, journalists at Acehkita, a news website on Aceh popular in Indonesia, demanded the resignation of the Board of the Founders of the Acehkita Foundation over allegations that the Board had used humanitarian funds intended for the tsunami recovery for a commercial purpose.(30)

Despite these examples, corruption in the reconstruction phase was always considered to be a bigger risk than during the emergency phase because of the nature and scale of the work and the longer-term opportunities for siphoning off funds. There was a strong possibility that the need for rapid rebuilding would be used as an excuse to exclude the public from consultations or bypass formal tender procedures. Corruption succeeds in the construction industry for several reasons. Some infrastructure projects such as roads and dams are very large and it may not be difficult to hide the cost of bribes in projects worth billions of dollars. When large projects require many permits and there is insufficient control over issuing them, officials may find it relatively easy to secure bribes. In very large projects there may be hundreds of interactions between trades and each interaction provides an opportunity for corrupt behaviour of one kind or another. It is also easy to conceal shortcuts when components of a project are physically hidden such as steel covered in concrete. With complexity may come a lack of a sense of overall responsibility and accountability. Furthermore it is difficult to elicit information about construction projects even if they are financed by governments because of commercial-in-confidence clauses.

Because of these types of concerns the Asian Development Bank, OECD, Transparency International and the Indonesia Government held a meeting in Jakarta on April 7, 2005 with representatives of six tsunami affected countries to discuss the risks of funds being misused and ways to mitigate these risks. The participants reached a broad framework for action. These included a joint commitment by all players against corruption, country ownership of recovery, community participation in delivering aid to reduce cost and ensure appropriate solutions, public access to information about relief and recovery efforts, transparency of aid flows and monitoring and evaluation, complaints and reporting mechanisms, mutual accountability and coordination and capacity development for improved governance and corruption deterrence.⁽³¹⁾ President Yudhoyono told the meeting he was certain Indonesia's Supreme Audit Institution, which is independent and free from Government intervention and to which new executives and members had only recently been installed, would perform its task professionally and competently when examining the rehabilitation and reconstruction budget for Aceh. ⁽³²⁾ However the Supreme Audit Agency does not have the power to act on its findings. It can only urge police and prosecutors to investigate its findings. In its first report of 2005 it

found 11 cases of possible irregularities at state firms with potential losses amounting to US\$259 million. However there had been little follow-up on its findings which had also been sent to the Attorney General's office. (33)

A plan to reconstruct Aceh was released by Bappenas, Indonesia's Central Planning Agency, to cover the restoration of four areas-livelihoods, the economy, infrastructure and local government. Even during this very early stage, Transparency International, which worked with Bappenas on the master plan, found some irregularities in the construction of barracks, mark-ups on prices and inflated numbers coming from some government institutions.(34)

An independent agency, the Aceh and Nias Rehabilitation and Reconstruction Agency (BRR) was set up in April 2005, to implement the plan by designing a coordinated community driven reconstruction program and evaluate that reconstruction. It comprises three sections; a managing board led by the director Dr Kuntoro Mangkusubroto, an advisory board which sets out the general directions for the agency and an oversight board to monitor and evaluate activities and deal with public complaints. All three are required to present the President with regular reports on the progress of reconstruction and independent audits of the Agency's activities.(35)

BRR quickly established a review and approval process to ensure that projects were compatible with overall priorities and drafted policies and guidelines to lay down common standards and practices in important areas. It established its own Anti-Corruption Unit to work with the Indonesian Government's anti-corruption unit, focusing on internal and external compliance, feedback and investigation.

The goals of the Anti-Corruption Unit are to set guidelines for stakeholders with internal codes of ethics and anti-corruption declarations, build partnerships and capacity in agencies and government to prevent and monitor corruption, create a complaints handling mechanism, engage with other investigative agencies and anti-corruption teams and maximize transparency through media and information technology.(36)

The appointment of Dr Kuntoro as head of the BRR signals a strong commitment to averting corruption. Dr Kuntoro has a reputation for toughness and honesty. He has been given cabinet rank and the power to employ high quality staff and determine salaries. Staff are required to sign an internal Code of Ethics. Yet Kuntoro's appointment has not been without controversy. He recently angered some MPs with his claims that he and his staff had been asked by some Members of the Indonesian House of Representatives to informally give them accountability reports on emergency relief budgets and spending. Kuntoro said that he had ordered his staff not to respond to such requests in meetings held in private rooms and coffee shops.(37)

BRR itself is not immune from scrutiny. It has contracted consultants through the United Nations Development Programme to check the quality of and monitor its activities, sending eight teams into the field to provide oversight, capacity building, quality control and monitoring activities, especially those involving procurement. The teams are supported by a central management team and a database located in the BRR.

BRR's Oversight Board will also be commissioning external audits and intends to set up a confidential public complaints system, marshal the resources of civil society more effectively and publicise its work through the media.(38)

There are now several mechanisms in place to monitor corruption in Aceh, including the Indonesian Government's own agencies, an Asian Development Bank earthquake and tsunami emergency support project which aims to improve financial controls and build capacity on the group, support the Supreme Audit Agency to strengthen the external audit of emergency assistance funds and also build the capacity of local NGOs to take on an external monitoring role.(39)

There are other Indonesian NGOs involved in monitoring corruption including SAMAK which was involved in anti-corruption work even before the tsunami, GeRAK Aceh, also established before the tsunami and whose operations have uncovered some irregularities in the use of funds for building barracks. GeRAK Aceh concentrates on activities undertaken by provincial or district level governments,

leaving activities funded by the national government to be watched over by KDK, which is coordinated by Indonesia Corruption Watch.(40)

The difficulty for these watchdog organizations will be their excessive workloads and relative inexperience of their staff in investigating and reporting on allegations of corruption and having the allegations pursued by the police and in the courts. It may also be hard for ordinary people to trust those asking them to expose corrupt acts. Changing attitudes to corruption across all levels of society will be a long and slow process. Even during a ceremony to inaugurate houses in the village of Illie in Banda Aceh, Kuntoro stated that some local leaders and government officials were still trying to profit from the tsunami, demanding people pay Rp 650,000 for a donated house (41) and Aceh's influential fishing cooperative, Panglima Laot has asked police to investigate officials who it believed were spending more than twice the realistic price for fishing boats. (42)

On the positive side Kevin Evans, the Australian acting head of the BRR Anti-Corruption Unit says the agency has been able to limit corruption by acting on complaints by local people where they believe government purchasing schemes are confusing or inefficient. Evans' team has the ability to step in and work through the issues, sometimes pre-empting corruption. (43)

Donors

Humanitarian relief is often needed in countries with troubled societies and economies. Their regimes are usually corrupt, their economies are predatory. The risk of aid diversion is high and can occur at any point in the response by any or all of the actors involved-in donor contracting, public fundraising, by national officials, UN staff, international NGO and local NGOs, local authorities, parties to conflict and elites, and finally by recipients themselves.(44)

The international response to the tsunami was unprecedented. The scale of the disaster, the timing-Christmas-and saturation media coverage fuelled a giving spree, with agencies and governments appearing to try to outdo each other in the size of their

donations. Ultimately more than US\$ 6 billion was pledged by donor governments and non-government organizations to assist tsunami victims.

The Indonesian Government found itself under the glare of the world spotlight, with aid agencies pouring into the province and with overseas military forces helping distribute relief supplies. During 2005 there were 124 international non-government organizations, 430 local groups, dozens of government donor agencies and several UN agencies in Aceh -all under pressure to use their donated funds and use them well. (45)

From the outset NGOs were quick to assure their donors that donations would go to people in need. They would do this by controlling the flow of funds on the ground themselves. Aid agencies dependent on public donations are very aware that reports of funds not going to those in need of help but into the pockets of government officials can do them enormous damage. Trust is undermined, donations fall away and the result is even less money to help those caught up in conflicts and natural disasters.

Previous experience in disaster management has alerted aid agencies to the potential risks of corruption during relief phases. The rapid flow of money, goods and services into an area and the pressure to distribute aid urgently, to be seen to be doing things adds to the potential for misappropriation. Much waste and mismanagement can occur at this point. In the rush to get things done, accounting is set aside and audit trails overlooked. There is also the possibility that with pressure to spend, money will be wasted through poor targeting, oversupply and on inappropriate programs. Oxfam warns that aid agencies sometimes fall into the trap of hiring local people quickly without necessarily understanding their backgrounds and affiliations, potentially creating problems down the track.(46) They compete with each other to hire local people with particular skills such as language ability and inflate local salaries. If a disaster is particularly large, inexperienced staff with little understanding of corruption may be sent to manage complex operations.

During a disaster aid agencies can be both perpetrators and victims of corruption. They can be charged inflated overheads for the use of offices and be required to pay unusually high accommodation rates, they can find themselves unwittingly funding

activities already being supported by another agency, bogus NGOs can spring up appealing for funds. Disreputable aid agencies can charge fees on donated goods or in turn be charged taxes by unscrupulous officials. There may be collusion by field staff to divert resources, payments demanded to register beneficiaries, kickbacks demanded from procurement, stealing of oil and petrol and even the registering of phantom staff by aid agencies.

Donors can be defrauded by aid workers putting in false accounts at head offices or workers in the field asking for payments or exploiting beneficiaries. The latter does not just involve money but can even relate to sexual exploitation. Village chiefs may introduce informal taxes on donated goods, exclude people on the basis of race or gender and falsely claim vulnerability.⁽⁴⁷⁾ Any or all of these scenarios potentially apply to Aceh.

The Overseas Development Institute argues that even though aid agencies may have developed their own systems for accounting, procurement, asset management and personnel management these accountability systems largely flow upwards so that agencies can justify expenditure to their donors.⁽⁴⁸⁾ They are less able to perform downwards accountability to determine whether corruption is taking place at the local level. As the ODI suggests it is one thing to be able to tell donors that a certain number of people received food aid, but another to say whether kickbacks were paid to local officials at the distribution site or what bribes were demanded by militias to allow the recipients of food aid to get the goods home safely.

The difficulty of aid delivery in a disaster is further compounded by the very principles under which it operates- humanity, impartiality, neutrality and independence. It focuses on saving lives and alleviating suffering wherever it is found and does not discriminate between populations. Donors, including Australia, are usually unwilling to give assistance directly to governments who are seen as a warring party or to local organizations to deliver in areas of conflict. It is unlikely that either party would be likely to deliver assistance fairly and equally and thus would compromise the notion of impartiality. Donors have opted to have others who are perceived as neutral, deliver the assistance to reduce the risks of aid being diverted. Aid workers faced a particular dilemma trying to distribute aid to people in GAM

controlled areas of Aceh. Initially the Indonesian Government placed travel restrictions on aid agencies wanting to go into conflict areas, citing concerns for their safety. While this ban appears to have been somewhat elastic and short-lived, it was nonetheless an impediment to aid delivery and frustrated the humanitarian effort.

Even before the tsunami, Australia was a substantial donor to Indonesia, with Indonesia among the top three recipients of Australian bilateral aid.(49) Activities to strengthen anti-corruption measures in Indonesia such as anti-money laundering were already being supported by AusAID. The tsunami prompted the Australian Government to further expand the relationship. The establishment of the Australia Indonesia Partnership for Reconstruction and Development in January 2005 increased aid to Indonesia by \$1 billion over five years, making Australia a major donor in Indonesia, ranking closely with Japan and the United States. The \$1 billion is for reconstruction and development in Aceh and the rest of the Indonesia. Half the funds will be grant aid and the remaining half as concessional loans over 40 years, attracting zero interest rate.(50) As at 8 December 2005, \$947 million had been allocated to projects under the AIPRD. Of this \$150 million is earmarked for rebuilding Aceh. (51)

Opportunities for corruption are reduced by the manner in which AIPRD grant aid is being administered. The grant aid is subject to the usual requirements set down by AusAID under Commonwealth Procurement Guidelines and the FMA Act. These guidelines detail how goods and services are purchased and are a key mechanism to enable agencies to manage public resources responsibly and appropriately. They provide a way of achieving value for money taking not only the size of the bid into account but the performance history of bidders, relative risks of proposals and flexibility. There is a very genuine attempt to make sure that procurement is conducted fairly and that biases are not shown and any conflict of interest is declared. These guidelines will go a long way towards minimizing risks of corruption in Aceh.(52)

Conclusion

2006 will be critical to the long-term reconstruction of Aceh. This is the year that much of the longer-term contracts involving infrastructure will be awarded and work commenced. By mid-year, 60,000 houses will have been built and repairs to over 2,000 schools will be completed. Reconstruction is underway in 70 per cent of damaged health centers and sub-centres. (53) Careful planning is needed to ensure that public services, when rebuilt, are better than the run-down facilities that were available before the tsunami. Accountability will be very important to ensure that issues of overlap and equity are dealt with fairly.

It is too early to tell whether the mechanisms in place in Aceh to deter corruption will succeed. It would be asking a lot of a society where corruption is so entrenched to suddenly 'come clean' overnight. However given the strong international interest and presence in the reconstruction and monitoring process, a president seemingly more committed to eliminating corruption than his predecessors, a proliferation of keen if somewhat inexperienced watchdog agencies, and a determined BRR head, Aceh is in a far better position now to defend itself against corruption than before the tsunami. The peace process in Aceh and a desire by the Indonesian Government to attract investors to Aceh and Indonesia more broadly may add extra weight to the fight against corruption. The Government of Indonesia is aware that unless corruption is curtailed not just in Aceh but across the country, it will continue to fail to attract investors. Those investors that remain may eventually lose heart and move to other countries where they don't have to pay off officials to do business. The Indonesian Government is also aware that while a very small amount of low -level corruption may be grudgingly tolerated by donor nations, evidence of large-scale irregularities could jeopardize the chances of future assistance being offered again should the need arise.

For President Yudhoyono's commitment to reducing corruption in Aceh and Indonesia to be realised, the problem has to be tackled on many different fronts. Change will have to take place across the entire public sector, not just in the police and judiciary. Increasing the salaries of public officials may reduce the need to resort to corruption

but without comprehensive awareness raising, reform and improved governance, success in eliminating corruption will be most likely be muted.

References

- 1) Rebuilding a Better Aceh and Nias, p 63 World Bank 2005 www.worldbank.org
- 2) Transparency International Corruption Perception Index (www.transparency.org)
- 3) Robertson-Snape, F “Corruption, collusion and nepotism in Indonesia” Third World Quarterly, Vol 20, No 3, p 590
- 4) Ibid p 597
- 5) Ibid p 589
- 6) Khouw, MM, 'The Private Sector Response to Public Sector Corruption', in Basri, M and van der Eng, P 'Business In Indonesia, New Challenges Old Problems, ISEAS Publications p 206
- 7) Bhargava, V and Bolongaita, E “Challenging Corruption in Asia” Case Studies and a Framework for Action, The World Bank 2004 p 212
- 8) 'Indonesia National Police Reform', International Crisis Group Asia Report No 13, 20 Feb 2001, p 10
- 9) ibid p 10
- 10) 'Challenging Corruption in Asia,' op cit p 214
- 11) Australian Financial Review, 30/11/05 p 17
- 12) 'Challenging Corruption in Asia' op cit p 216
- 13) Internal, unpublished paper by World Bank, 2005

- 14) Sherlock, S, "Combating Corruption in Indonesia?" The Ombudsman and the Assets Auditing Commission, Bulletin of Indonesian Economic Studies, Vol 38, No 3, 2002 p 367
- 15) News item 'Indonesia Corruption Watch' www, 8-12-04
- 16) Radio Australia 29/12/2005
- 17) Inaugural speech by President Yudhoyono, Jakarta Post, 21/10/ 2004
- 18) Media Release Indonesia Corruption Watch 16/5/2005
- 19) Sen, K and Steer, L "Survey of Recent Developments", Bulletin of Indonesian Economic Studies, Vol 41, No; 3, 2005 p 279
- 20) Ibid p 300
- 21) Ibid p 301
- 22) Aceh and Nias One Year After the Tsunami, The Recovery Effort and Way Forward. A Joint Report of the BRR and International Partners, December 2005 p 14
- 23) Building a Better Aceh and Nias p 53
- 24) Age, 22 December 2005, p 15
- 25) Weekly Worker, 581, June 16, 2005 (www.cpgb.org.uk)
- 26) Aceh and Nias One Year after the Tsunami op cit p 16
- 27) 'Managing the risks of corruption in humanitarian relief operations', Overseas Development Institute, 31/5/05 p 14

- 28) Speech to the American Indonesia Chamber of Commerce 15/11/05
www.usindo.org
- 29) Michael Casey, www.boston.com.news, 6/1/2005
- 30) Statement by International Federation of Journalists, September 26, 2005
www.ifj-asia.org/page/indonesia
- 31) 'Curbing Corruption in Tsunami Relief Operations': Proceedings of the Jakarta Expert Meeting organized by the ADB/OECD Anti Corruption Initiative for Asia and the Pacific, Jakarta, 7-8 April 2005.
- 32) Speech by President Yudhoyono, www.bpk.go.id/
- 33) Jakarta Post 24/12/05
- 34) Asia Times, March 29, 2005 (www.atimes.com/atimes)
- 35) 'Curbing Corruption in Tsunami Relief Operations': Proceedings of the Jakarta Expert Meeting organized by the ADB/OECD Anti Corruption Initiative for Asia and the Pacific, Jakarta, 7-8 April 2005.
- 36) Rebuilding a better Aceh and Nias op cit p 27
- 37) Indonesia Relief 2/7/05 www.Indonesia-relief.org
- 38) Rebuilding a better Aceh op cit p 28
- 39) Ibid p 26
- 40) ibid p 26
- 41) www.Indonesia-relief.org, 10/8/05

- 42) Wiseman, P, US Today 14/12/05
- 43) ibid
- 44) 'Managing the Risks of corruption in humanitarian relief operations,' p 3
- 45) Aceh and Nias One Year After the Tsunami, The Recovery Effort and Way Forward. A Joint Report of the BRR and International Partners, December 2005 p 14
- 46) Walker, P 'Opportunities for Corruption in a Celebrity Disaster', ADB/OECD Anti-Corruption Initiative for Asia and the Pacific, 7-8 April 2005.
- 47) 'Managing the risks of corruption in humanitarian relief operations', Overseas Development Institute, 31/5/05 p 3
- 48) ibid vi
- 49) Australia's International Development Cooperation Program, Budget papers 2004-05 p 65
- 50) Australia Indonesia Partnership for Reconstruction and Development, Joint Ministerial Statement, 17 March 2005. www.foreignminister.gov.au/releases
- 51) www.ausaid.gov.au
- 52) AusAID Business Guidelines www.aus.gov.au
- 53) Aceh and Nias One Year After the Tsunami, The Recovery Effort and Way Forward. A Joint Report of the BRR and International Partners, December 2005 p 20-22

Additional references

Harahap, R, M Strategies for preventing corruption in Indonesia, Asia Pacific Press, ANU 1999

Liddle, R W, "Year One of the Yudhoyono-Kalla Duumvirate" Bulletin of Indonesian Economic Studies, Vol 41, No 3, 2005

Malley M S, "Indonesia in 2002, The Rising Cost if Inaction", Asian Survey, Vol XL111, No1, January/February 2003

"Preventing corruption on construction projects" [www. transparency.org](http://www.transparency.org)