After returning to democracy in 1998 and 1999, Nigeria and Indonesia began instituting a series of anti-corruption measures designed to eliminate corruption and promote rapid economic development. Yet, apart from galvanizing public opinion behind the struggle against corruption, these reforms have failed to yield tangible results. In the case of Indonesia, there is credible evidence of increased corruption due to decentralization, increased political instability and competition, and ineffective complementary anti-corruption institutions (notably the police, judiciary and the office of the public prosecutor). The lesson here is simply that social behaviour like corruption is not culturally-determined. Things change when the political and institutional rules and frameworks change.

Introduction and Background to the Study

During 1998-1999, Nigeria and Indonesia witnessed a series of political reforms which ultimately culminated in the restoration of democratic rule. Prior to the commencement of these democratic reforms, both countries had experienced decades of authoritarian regimes, which ended largely because of popular disgusts about their corrupt nature and distressful economic decline. In other words, political changes in both countries were largely provoked by popular demand for strong anti-corruption measures. These demands were very persistent and widespread, and could not be easily ignored, especially when similar reforms were taking root in many other developing countries at the time. Effectively, all through their transition periods, discussions about fighting corruption continued to occupy a central position in policy discussions in both government and civil society circles (Webber, 2005). The introduction of a democratic regime was considered as best to provide a more conducive environment for tackling corruption. This was because, during the years of authoritarian rule in both countries, which spanned almost four decades (1966-1999), the level of corruption was believed to have reached very disruptive heights, contributing according to some views, to the socio-economic crisis observed in both countries in the late 1990’s. The widespread clamour for democracy was, thus, partly anchored on the association of authoritarian rule with corruption and lack of accountability. After returning to democracy, both countries instituted specific anti-corruption and public sector reform programmes designed to reduce, if not eliminate, corruption and promote more rapid economic development (Enweremadu and Okafor, 2009; Hamilton-Hart, 2001).

Key Research Questions/Research Methodology

The introduction and pursuit of these anti-corruption policies in Nigeria and Indonesia raise several
important questions. What made the adoption of an anti-corruption programme possible in both countries, especially in Indonesia,\(^2\) at the time they were adopted? What specific anti-corruption reforms have been emphasized? What are the benefits of these reforms a decade after their implementation? In other words, have these reforms led to any significant reduction in the level of corruption or positively impacted on economic development (for instance, in the areas of economic growth, increase in per capita and poverty reduction in the two countries)? This paper presents a summary of the results of a recent field study undertaken to review, in a comparative manner, some key anti-corruption initiatives undertaken in both Nigeria and Indonesia since democratization began in 1998, and their tentative outcomes a decade after. During the study, in-depth interviews were held with selected stakeholders, including policymakers (past and present), officials of anti-corruption bodies, academics with expert knowledge of corruption, politicians, journalists, as well as members of the civil society. Questions asked were diverse in nature but centered essentially around the following eight key research questions:

1. How serious is corruption in contemporary Indonesia and Nigeria and how is this different from what obtained under previous regimes (Suharto in Indonesia and Pre-1999 military rulers in Nigeria)?
2. How strong is the impact of corruption on development, especially economic growth, income and poverty level?
3. How can the current desire to tackle corruption in both Nigeria and Indonesia be explained?
4. What specific measures have been taken to tackle corruption, especially since the departure of old autocrats and the commencement of democratic rule, and what factors have influenced their choice?
5. How effective have these measures been in reducing corruption or promoting economic development? In other words, to what extent has corruption reduced in major public institutions (judiciary, parliament, civil service, local and regional governments) following the introduction of anti-corruption programmes post-1999?
6. What challenges have emerged in the course of implementing these measures and how have Indonesian and Nigerian authorities responded to them?

** Corruption and Development in Nigeria and Indonesia: 1967-1998**

Although most contemporary definitions of corruption recognize that the phenomenon usually involves some abuse of entrusted power for private gain (Transparency International, 2009), the word corruption has also continued to be used in many ways, sometimes with differing connotations (Kuncoro, 2006). One reason why citizens of most countries do not often perceive corruption in the same way is because corruption usually manifests in different ways according to the peculiar characteristics of each country. In spite of these differences, there are certain countries whose citizens still perceive corruption largely in the same way. From the author’s findings, Nigeria and Indonesia appear to belong to this category. A review of some anti-corruption legislations, as well as official reports relating to corruption, in both countries, provided some insights into the ways in which citizens in the two countries perceive and define the phenomenon. According to these documents, corruption includes vices like bribery, illicit fee-collection (known as extortion in Nigeria), unauthorized use or misapplication of public funds, embezzlement of public funds, violation of financial rules and inflation of prices, especially in connection with public procurement, possession of unexplained wealth in excess of legitimate income, falsification of official or public documents, nepotism, collusion between state officials and rich businessmen and various types of frauds in the banking and financial sectors (Federal Republic of Nigeria, 1990; 2000; 2003; 2004; 2006; 2008).

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\(^2\) Anti-corruption programmes have been a more recurring phenomenon in Nigeria where successive regimes have used it to gain political legitimacy or consolidate power.
As earlier noted, the frequency and magnitude of these corrupt acts in both Nigeria and Indonesia reached unprecedented heights during the four decades of authoritarian rule. In Indonesia, for instance, the period between 1967-1998 (during which Suharto presided over the presidency), were marked by “weak and corrupt institutions, severe public indebtedness, mismanagement of the financial sector, rapid depletion of natural resources, and a culture of favours, nepotism and collusion in the business elite” (World Bank, 2003). So rampant were these practices – corruption, collusion and nepotism, that Korupsi Kolusi dan Nepostisme or KKN became one of the most popular slogans in the attack on President Suharto and his New Order Regime, culminating eventually in his downfall in May 1998 (Dick, 2002; 71; Robertson-Snape, 1999). Nigeria’s record was probably worse. Between 1966 and 1999, when it emerged from a string of military regimes, bribery, inflation of public contracts and wholesale plunder of public revenues into foreign bank accounts were established as the dominant mode of political behaviour (Lewis, 2007; Federal Republic of Nigeria, 1999), earning the country the unenviable title of the world’s most corrupt country, for two straight years: 1999-2000 (Transparency International, 2009).

The causes of corruption differ slightly in both countries according to anti-corruption campaigners. Multi-cultural identities, institutional lapses, poverty, poor law enforcement/deterrents, selective sanctions, and so on, are among the most important. The character of leadership has also been identified as central. Following their fall from power, evidence emerged showing that both Generals Sani Abacha of Nigeria and Suharto of Indonesia had used their positions to amass wealth running into several billions of dollars for themselves, close friends and allies. Yet, this common experience with high level corruption hides the fact of a marked difference in the actual impact of corruption, especially its effect on development outcomes. For instance, between 1966-1998, when corruption was supposedly at its height in both countries, Indonesia witnessed a rapid socioeconomic growth, while Nigeria stagnated or experienced negative economic growth. To be more precise, from 1967 to 1997, in the pro-growth era of Suharto’s New Order, Indonesia’s GDP grew by an average of 7% per annum (Hofman et al, 2004). This rapid growth was accompanied by significant gains in the development of human capital and a diversification of the economy away from agriculture and oil production, while poverty fell from more 70% in the mid-1960s to a mere 11 percent in 1996 (Hofman et al, 2004). On the other hand, Nigeria’s economic statistics during the same period was characterized by weak economic growth and a massive decline in living standards. For instance, from 1960 to 2000, annual GDP growth averaged about 3.3% (World Bank, 2003). Similarly, the national poverty rate (those living on less than a dollar a day) in the country went from around 35% in 1970 to 70% in 1999 (Xavier and Subramanian, 2008).

Three explanations are consistently proffered to explain this differential impact of corruption. The first one is that different forms of corruption in the two countries have produced different consequences on economic outcomes. This line of argument was first popularized by Shleifer and Vishny in their 1993 study, where they argued that corruption can either be centralized or decentralized depending on the nature of the political system in question. MacIntyre prefers the terms ‘organized’ or ‘disorganized’ corruption (MacIntyre, 2001). In the centralized type, which applies to Indonesia, corruption is controlled (by a central figure and his or her small group of favoured cronies) and predictable. As a result, the cost associated with corruption (bribery and red tape for example) is predictable and calculated as part of transaction cost by business (Kuncoro, 2006; Kuncoro, 2010). Once a firm pays a bribe to the

3 Interview with Firdacs Ilyas who works with the Indonesia Corruption Watch ICW. March 22, 2010, Jakarta.

4 My interview with Professor Ari Kuncoro took place in his office at the Centre for Economic Research, University of Indonesia, Jakarta on March 24, 2010.
central authorities, it is free from any further harassment from lower officials. In other words, bribe-taking by the Indonesians was well-coordinated. This is why this system is also referred to as ‘one-stop shopping’ (Kuncoro, 2006). In the alternative system, that is, the decentralized form of corruption, which from the author’s findings appears to be more applicable to Nigeria, the number of officials demanding bribes is multiple, resulting in what is called ‘overgrazing the commons’, where officials are unable to coordinate their bribe-taking behaviours, therefore creating an environment of unpredictability for business (Kuncoro, 2006).

The second explanation was that, where corruption is accompanied by a willingness to invest in infrastructure and business-friendly policies, in order, for instance, to generate long-term rents, and indicate a perception of relative political stability and long-term planning or calculations, economic growth will be more likely. The reverse will then be the case in a country where corruption goes hand-in-hand with a neglect of infrastructure and pro-business policies. As several authors have argued, one of the secrets of Indonesia’s superior growth record is that Suharto took a long-term view in his rent-seeking behaviour, reasoning that sustained economic growth was essential to the flow of rents and, consequently, to his hold on power (McLeod, 2000). Nigerian leaders, on the other hand, adopted what may be termed a ‘rape and run’ attitude, fuelled by a perception of political and institutional instability or unpredictability. The different approaches of the Nigerian and Indonesian leaders, is perhaps better illustrated by Olson’s (2000) idea of ‘stationary bandits and roving bandits’. The former are those rulers who remain or expect to remain in power for long, and so, as an incentive, invest in structures that can produce long-term benefits (rents). The latter are the rulers who operate in a highly-unstable environment, and so are guided by short-term calculations. Borrowing from Olson’s postulation, we may reason, as Henley has pointed out, that the uncontested sway of President Suharto for over a period of 32 years made him a ‘stationary bandit’, a predatory ruler with a rational interest in promoting national growth in order to maximize his own future pickings, as opposed to the many ‘roving bandits’ of Nigeria, whose only interest during their short spell in power has been to rape and run (Henley, 2009).

A third explanation which was advanced was that where the proceeds from corruption are largely exported off-shore, the impact of corruption will be highly negative for economic growth, than in a political system where the proceeds from corruption are invested within the local economy, especially in production (as against consumption). This hypothesis agrees with the work of Sindzingre (1997), which compared the nature and effects of corruption in Africa and East Asia, especially Nigeria and South Korea. Sindzingre found that while Nigerian leaders were in the habit of exporting their loot, their Korean counterparts, who were coincidentally leading entrepreneurs also, invested their booties in their local economies. The scale of capital flight afflicting Nigeria in particular, and Africa in general, can easily be seen in the fact that in 2005, stolen assets, equivalent to more than half of external debt, were held in foreign bank accounts (Commission for Africa, 2005). The transfer of looted public assets is not a phenomenon totally unique to African countries. For long, corrupt leaders in many third world countries (Ferdinand Marcos of Philippines, Alberto Fujimori of Peru, Augusto Pinochet of Chile) saw western financial institutions as a ‘safe haven’ to hide some of their loot (Transparency International, 2004). However, this practice held particular attraction for African leaders, fleeing the double menace of a chronically unstable political and economical environment, characterized by frequent changes in government, galloping inflation and depreciation of national currencies (Sindzingre, 1997).

Transition and Anti-Corruption Reform
By 1998-1999, several anti-corruption measures were underway in both Nigeria and Indonesia. What factors motivated the adoption of these reform programmes and what specific reform measures were proposed and implemented?
Motivation for Adopting an Anti-Corruption Platform
If corruption has impacted differently in Nigeria (constraint to development) and Indonesia (compatible with development), why would these two countries be launching anti-corruption programmes after enthroning democracy? As far as Nigeria is concerned, it appears that an anti-corruption campaign at this time is partly a continuation of an already existing struggle. Given the obvious socio-economic cost of corruption in Nigeria, the public demand for strong anti-corruption policies was high throughout the 80s and 90s. However, most measures put in place to tackle corruption were often politicized and undermined by a lack of political will. The reforms however became inevitable when the evidence of large-scale looting of the public treasury under the military government of General Sani Abacha was made public. In Indonesia on the other hand, the fact that Suharto had effectively monopolized the political space, and with it access to patronage, and had been able to engineer rapid economic growth despite a high level of corruption, appears to have discouraged any strong demand for an anti-corruption programme before 1998. The departure of Suharto and his centralized form of government also contributed to the spread of corruption and its visibility in the new Indonesian socio-political environment, which helped to harden public feelings against corruption.

Nature of Anti-Corruption Reforms
Apart from inaugurating their anti-corruption programmes under very similar circumstances and at roughly the same time, Nigeria and Indonesia also elaborated anti-corruption policies that were quite similar in their appearance and objectives. During 1999-2007 for instance, Nigeria passed several anti-corruption legislations and established two anti-corruption agencies: the Independent Corrupt Practices and Other Related Offences Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC), empowering them to recover illegally-acquired wealth, and arrest and prosecute corrupt officials. It also undertook far reaching public sector (civil service and judicial) reforms aimed at removing the incentives for corruption before they occur. On the Indonesian side, a Corruption Eradication Commission (KPK) empowered by Act No 31 of 1999 (as Amended by Act No 20 of 2001) and the State Official Wealth Audit Commission (KPKPN), created through Act No 30 of 2002, were put in place to investigate and prosecute officials suspected of corruption, as well as recover illegally-acquired assets. The raising of the salaries in Nigeria of some state officials (judges and civil servants) to encourage honesty, and some will say, a policy of decentralization, aimed at ensuring direct local accountability mechanisms through local legislatures, media and voters, has also been pursued by the Indonesian authorities with a view to reducing corruption (Kuncoro, 2010).

In terms of their objectives, anti-corruption programmes in both Nigeria and Indonesia were

5 For instance, decentralisation through the creation of new regions and administrative units by the parliament has opened new channels of corruption where, those demanding for these new units regularly resort to bribing parliamentarians in order to ensure that these regions are created (Interview with Professor Prijono Tjipto Herijanto, Department of Economics, University of Indonesia. He is a former Deputy Minister for Population Issues and an expert on population and public administration. March 19, 2010, Jakarta).

6 Prior to the commencement of reforms, both countries had experienced very corrupt authoritarian regimes, which lost power partly due to popular disgusts about their corrupt conducts and economic decline. In the wake of this change, popular demand for strong anti-corruption measures were very widespread and could not be ignored, especially when similar reforms were taking root in many other developing countries at the time.

7 Few ministries have benefited from this salary increase for now, notably the Ministries of Finance and Cabinet Office.
intended to help reduce corruption and promote development.\(^8\)

**Outcome of Reforms: Tentative Research Findings**

Both Nigeria and Indonesia began their anti-corruption programmes following external and domestic pressure for change. Prior to the commencement of these reforms, both countries had also experienced very corrupt authoritarian regimes, which lost power partly due to popular disgust about their corrupt ways and perceived economic difficulties. In the wake of these changes, popular demand for strong anti-corruption measures became widespread and could not be ignored especially when similar reforms were taking root in many other developing countries at the time. In spite of the involuntary nature of the policies and the changes in governments witnessed in both countries since democratization began in 1999, the implementation of anti-corruption reforms in both countries has gone ahead. There has not been any successful attempt made to scrap the reforms in any of the two countries notwithstanding the apparent discomfort it has caused the political class. This is largely explained by the increasing vigilance of the civil society, and of course, the international community which now serves as a bulwark against such acts.\(^9\) This is not, however, to suggest that the programmes have been faithfully implemented or successful in terms of meeting their goals. How effective then have these programmes been? In other words, what has been the overall impact of these policies been on corruption levels and the development trajectories in the last ten to twelve years? What are the factors influencing the success or failure of these reforms?

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\(^8\) Interview with the Secretary General of Indonesia’s anti-corruption commission (KPK), Mr. Bambang Sapto Pratmososu, took place on March 26, 2010 in KPK’s head quarters in Jakarta.

\(^9\) Interview with Professor Prijono Tjipto Herijanto
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awareness and access to information, as well as freedom to confront corruption. The second opinion suggests that decentralization through creation of new regions and local authorities by the parliament (Rinaldi, Purnomo and Damayanti, 2007) has opened new channels of corruption, especially for the parliamentarians and political leaders in the regions and local governments. Thus, corruption has become, in the words of Professor Prijono Tjipto Herijanto: “more decentralized and disorganized.” Another explanation for the reported increase in corruption in Indonesia, also related to democratization, is that the increase in electoral competition (higher number of parties) and political instability (frequent change of public office holders, associated with elections) has encouraged corruption. Electoral competition is viewed, especially in Indonesia, as a contributing factor to increased corruption, because it has raised the cost of elections. There is the belief that corruption has shifted to regions and local governments and the legislative arm of government, where the cost of elections has soared. According to one estimate, a politician may need up to 8 billion Rupiah to contest for the position of district head in East Java, and 2 to 3 billion Rupiah as a member of parliament. This believed cost of democracy was captured in the response of one of Indonesia’s leading economists and policy makers:

Democracy has too much cost. People are not yet ready. Indonesia needs some form of authoritarian leadership. Public policy is complicated... Politics has been monetized... so politicians need to recoup their investments... according to a survey, even public demonstration is paid for.  

Limited Impact of Anti-Corruption Programmes

Although anti-corruption efforts have recorded some progress in both countries in a few areas, the outcome of anti-corruption programmes as a whole is generally seen as below public expectation. For instance, in both countries, public awareness and interest in fighting corruption has been greatly aroused. Some have attributed the increased reports of corruption seen in both countries to the increase in awareness and access to information offered by the reforms, and not to any actual increase in corrupt practices. However, progress is not very substantial regardless of the appearance of change (the prosecution of a handful of top officials in both countries). Corrupt practices, notably bribery and embezzlement of public funds by top officials continue to dominate newspaper headlines, and international opinion surveys such as Transparency International’s Corruption Perception Index, and show limited improvements over the last ten years.

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10 Interview with Professor Prijono Tjipto Herijanto of the Department of Economics, University of Indonesia, took place in Jakarta on March 19, 2010.

11 According to TI’s Rezki Sri Wilbouro, “election related corruption is the mother of all corruption”. Jakarta, 23 March, 2010.

12 Interview with Dr. Djunaedi Hadisumarto took place in his Jakarta office on March 23, 2010. Dr. Hadisumarto is an Economist and current Adviser to the Indonesian National Planning Agency (BANEPAS). He is also a member of the famed Berkeley mafia which managed economic policy under Suharto.

13 ibid.

14 Interview with Firdacs Ilyas, who works with the Indonesia Corruption Watch (ICW), took place on March 22, 2010, in Jakarta.

15 Interview with Mr Rezki Sri Wilbouro, Deputy Secretary-General of Transparency International Indonesia, took place in Jakarta, March 23, 2010.
Table 1. Indonesia and Nigeria’s Position in Transparency International’s Corruption Perception Index

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As for the impact of corruption on economic growth and poverty reduction, a little divergence can be observed in the two cases. Nigeria has experienced stronger economic growth than in the past regardless of its ineffective anti-corruption programmes. Some Nigerians have argued that this growth rate would have been much higher with lower levels of corruption. Indonesia, on the other hand, has seen a lower growth rate in recent years, from 6-7% during the Suharto era to 5% or less. When compared to the Suharto era, Indonesians complain that local officials today tend to divert funds meant for infrastructure like roads, schools and hospitals, leading to a deterioration in the quality of these facilities and, hence, development in the local areas.

Factors Affecting the Success of Anti-Corruption Programmes

Political interference and limited political will is widely seen as the first major factor undermining anti-corruption efforts (Republic of Indonesia, 2007; 2008). In other words, political leaders in both countries are not considered to be very sincere or serious with their anti-corruption policies and programmes. In Indonesia, for example, there is the belief that President Bambang, angered by the jailing of his son’s father-in-law, is now trying to weaken the Indonesian Anti-Corruption Commission. It is crucial to note that the president’s formal order is very crucial in activating corruption investigation. A similar problem has dogged Nigeria’s anti-corruption campaign, culminating in the dismissal of Nigeria’s popular anti-corruption Tsar, Nuhu Ribadu in 2008. As was the case in Indonesia, the dismissal of Mr. Ribadu was part of the Nigerian government’s strategy to shield its allies from prosecution for corruption offences (Enweremadu, 2010). Actions such as these underline the limited level of commitment on the part of political leaders in both countries to tackle corruption.

Aside political commitment, another reason frequently cited for the limited impact of anti-corruption programmes is that most of all the other agencies with a responsibility to fight corruption remain unreformed (police, judiciary, public prosecutor). Ironically, these public institutions were perceived to be the most corrupt, according to opinion polls conducted in the two countries (Sima-juantak and Akbarsyah, 2008, Federal Republic of Nigeria, 2003). To further underline the weak commitment of public institutions to the new anti-corruption regime, the Indonesia Corruption

16 Interview with Professor Kuncoro

17 After his dismissal, Mr. Ribadu fled into exile in the United Kingdom alleging threats to his life. The emergence of President Goodluck Jonathan as President, encouraged him not only to return to Nigeria, but even to contemplate running for the Presidency in the April 2011 elections (see Thisday (Lagos), September 10, 2010)
Eradication Commission (KPK) in its 2007 Annual Report observed that the anti-corruption agency failed to receive “any serious response from the bureaucratic sphere nation-wide” (Republic of Indonesia, 2007).

Concluding Remarks
From the foregoing analysis, it is obvious that despite instituting some important anti-corruption programmes, both Nigeria and Indonesia continue to have serious difficulties with corruption, suggesting that the policies are not effecting the desired change. In the case of Indonesia, where corruption had once proved compatible with development under a strong centralized state, there is credible evidence of increased corruption after embarking on democratization due to decentralization, increased political instability and competition, and ineffective complementary anti-corruption institutions (notably the police, judiciary and office of the public prosecutor). The lesson here is simply that a social behaviour like corruption is not static or culturally-determined. Things change when the political and institutional rules and frameworks change.

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