

BANK INDONESIA'S ROLE IN ERADICATING CORRUPTION: ADOPTING THE WORLD BANK INITIATIVES

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Abstract

Bank Indonesia as the primary agent for maintaining state financial stability plays an essential role in combatting corruption through preventive and repressive measures. However, considering the poor state of corruption management, Indonesia requires a more strategic and measurable framework. In this case, The World Bank Group (WBG) has numerous methods for combatting corruption through structured initiatives. The overall goal of the programs is to achieve a high level of transparency as the central bank's fundamental premise in dealing with corruption. Thus, by adopting the WBG guidelines and initiatives, Indonesia can gradually scale up its corruption eradication efforts. This study will further highlight three areas, namely: (i) the World Bank alternatives for controlling corruption; (ii) the role of Bank Indonesia in eradicating corruption; and (iii) adoption of the World Bank's alternatives in strengthening Bank Indonesia's efforts to eradicate corruption. The study uses normative legal research using a regulatory approach with secondary data collection. The results of the study show that Bank Indonesia has thoroughly adopted the World Bank's initiatives. Nevertheless, BI still needs to optimise technology-based public transparency, enhance public involvement, and strengthen supervision of sectoral-based corruption risk in the future.

Keywords: *bank indonesia, corruption eradication effort, the world bank initiatives*

I. INTRODUCTION

The phenomenon of corruption is no longer an unusual occurrence. Experts show that the act of corruption has been practiced widely for two thousand years, as outlined in the book titled *Arthashastra* by the leader of an Indian Kingdom. Furthermore, it has been recorded that the society corruption emerged from 1000 A.D. to 1500 A.D., largely found in religious, legal, and literary works. By that time, corruption had become entrenched and

profitable.¹ The degree of corruption increased significantly over the years and unfortunately has been completely ignored. A United Nations Security Council (UNSC) report shows that corruption worldwide costs at least five percent of World Gross Domestic Product (GDP).² In the same meeting, the Secretary-General of UNSC underlined that corruption generates disillusionment with government and administration and is frequently as the foundation of political instability and social turmoil.³ Corruption scandals have also led to the demise of governments across the world. As a result, globalisation has pushed corruption to the forefront of worldwide crises.⁴

More narrowly, corruption accounts for massive state losses in many countries, including Indonesia. Since May 1998, combating corruption has emerged as a key component of Indonesia's official reform program. Cross-national statistical assessment indicates that corruption reduces investment and hence economic growth. Revenues from natural resources industries or foreign aid, for example, may obscure the economic consequences of corruption. It is also possible that corruption is less economically destructive in centralised political systems than in systems with distributed power and authority.⁵ Corruption is indeed a persistent issue that already at the point where it is almost impossible to eradicate. According to Transparency International statistics as the top worldwide measure of corruption, Indonesia was ranked 96th out of 180 countries in 2021, with an index score of 38/100.⁶ The score fluctuates over time and has worsened following the Covid-19 pandemic in 2019. However, from the index's introduction, Indonesia has consistently

¹ Roberto Bissio, "Leveraging Corruption: How World Bank Support to Private Sector Undermines Emerging Democracies," *Development* 64:1 64, no. 1 (April 19, 2021): 93–96, <https://doi.org/10.1057/S41301-021-00289-X>.

² UN Security Council, "Global Cost of Corruption at Least 5 Per Cent of World Gross Domestic Product, Secretary-General Tells Security Council, Citing World Economic Forum Data | Meetings Coverage and Press Releases," accessed 23 June 2022, <https://www.un.org/press/en/2018/sc13493.doc.htm>.

³ Ibrahim F.I. Shihata and James D. Wolfensohn, "Corruption — A General Review with an Emphasis on the Role of the World Bank," in *The World Bank in a Changing World* (Brill | Nijhoff, 2000), 603–40, https://doi.org/10.1163/9789004480377_023.

⁴ Michael E. Clemens and Michael Kremer, "The New Role of the World Bank," Center for Global Development, Working Paper 421, January 2016.

⁵ Laely Wulandari and Lalu Parman, "The Role of Legal Culture in Corruption Eradication Effort (A Comparative Study of Indonesian and Japanese Corruption Crime Handling)," *Unram Law Review* 3, no. 1 (2019): 25–34, <https://doi.org/10.29303/ulrev.v3i1.65>.

⁶ "Transparency International Indonesia – the Global Coalition Against Corruption," accessed 30 June 2022, <https://ti.or.id/>.

ranked in the middle to lower ranks. Therefore, it is undeniable that Indonesia's anti-corruption strategy has failed.⁷

According to the Global Corruption Barometer 2020, up to 65 percent of Indonesians believe the government is failing to combat corruption. Indonesia's issues in dealing with corruption stem from various causes, including inadequate laws, lack of deterrence of ineffective legal consequences, internal corruption behaviours of government institutions, ineffective enforcement, and poor institutional collaborations.⁸ The author contends that systemic changes in the government are required to reduce corruption, such as through increasing transparency across all institutions. The tax office, state banks, the bank restructuring agency, and the central bank are among the key government organisations subject to increased auditing, monitoring, and transparency requirements. The central bank, Bank Indonesia, holds a special role in monitoring all state banks and is strengthening its supervisory powers.

Apart from performing as the state's financial stability agency, the central bank also serves as a development agency, supporting in the implementation of national development initiatives intended to increase living standards. Since it is strongly related to averting state losses to preserve the country's economic stability, this function is obviously linked to the central bank's role in eliminating corruption. To date, Bank Indonesia, as Indonesia's central bank, has implemented both preventative and punitive actions to carry out its anti-corruption mandate. In order to combat financial crimes, particularly corruption, the BI has established a unit named the Directorate of Banking Investigation and Mediation (or *Direktorat Investigasi dan Mediasi Perbankan* abbreviated as DIMP BI). Preventative steps taken through this agency include increasing cooperation and coordination with work units at Bank Indonesia, such as the Directorate for Bank Supervision, the Directorate and Banking Regulations, and the Directorate for Banking Licensing and Information.

Furthermore, DIMP BI proactively promotes corruption-related socialisation to the public as well as other media.⁹ Meanwhile, as part of a repressive effort, DIMP BI is dedicated to referring charges of alleged illegal acts of corruption to law enforcement from the Police and the Attorney General's Office of the Republic of Indonesia. The collaboration among these institutions is grounded in the December 20, 2004, Joint Decree No.

⁷ Jillian Clare Kohler and Andrea Bowra, "Exploring Anti-Corruption, Transparency, and Accountability in the World Health Organisation, the United Nations Development Programme, the World Bank Group, and the Global Fund to Fight AIDS, Tuberculosis and Malaria," *Globalisation and Health* 16, no. 1 (2020): 1–10, <https://doi.org/10.1186/s12992-020-00629-5>.

⁸ "Global Corruption Barometer: Asia 2020 -... - Transparency.Org," accessed 8 September 2021, <https://www.transparency.org/en/publications/gcb-asia-2020>.

⁹ Budiyo, "Peran Bank Indonesia Dalam Penanggulangan Tindak Pidana Perbankan," *Jurnal Dinamika Hukum* 11, no. Edsus (2011), <https://doi.org/10.20884/1.jdh.2011.11.edsus.268>.

KEP.902/A/J.A.12/2004, No. POL: Skep/924/XII/2004, No. 6/91/Kep. GBI/2004 on Cooperation in dealing with illegal acts in the banking sector that have been replaced with a memorandum of understanding between the Attorney General's Office of the Republic of Indonesia, Chief of the Indonesian National Police, and the Governor of Bank Indonesia No: 13/104/KEP.GBI/2011.

The role of Bank Indonesia is also strengthened by Law No. 23 of 1999 regarding Bank Indonesia superseded by Law No. 3 of 2004 as well as Law No. 7 of 1992 amended by Law No. 10 of 1998 on banks which outline the right of BI to regulate, supervise, and impose sanctions. These measures provide for administrative sanctions in addition to criminal sanctions for alleged corruption.¹⁰ Since 1999, Bank Indonesia has referred 580 criminal charges against commercial banks and rural banks to law enforcement under the process outlined in the joint decree. Furthermore, Bank Indonesia also collaborates with the Commission for the Eradication of Corruption (or *Komisi Pemberantasan Korupsi* abbreviated as KPK), the Deposit Insurance Corporation, and the Report and Financial Transaction Analysis Center in addition to law enforcement.¹¹

Ideally, Bank Indonesia's execution of its role is considered to be fairly competent on the implementation level.¹² In practice, however, corruption unfortunately continues on a massive scale, even within BI itself. The BI's support for law enforcement has not had a significant impact on curbing corruption in Indonesia. The author argues that as an institution that drives primary state finance, the banking sector's instability will undoubtedly impact the whole economy.¹³ Therefore, banks' roles in avoiding state losses due to banking crimes, including corruption, must be promptly strengthened. With state losses from corruption reaching 62.93 trillion as of 2021, all stakeholders, including the central bank, are encouraged to find the appropriate measures and enforcement support in eliminating these illicit practices. Such measures are anticipated not just to reduce corruption, but also to contribute to the recovery of state losses. Hence, the author believes that if the amount of state losses caused by corruption can be recovered, these funds may be allocated to strengthen the welfare of the Indonesian people.

¹⁰ Bank Indonesia, "Governance Commitment," 2020, <https://www.bi.go.id/id/tentang-bi/profil/governance/commitment.aspx>.

¹¹ N. Hamilton-Hart, "Anti-Corruption Strategies in Indonesia," *Bulletin of Indonesian Economic Studies* 37, no. 1 (2001): 65–82, <https://doi.org/10.1080/000749101300046519>.

¹² Poverty Reduction and Economic Management Unit, *Combating Corruption In Indonesia: Enhancing Accountability For Development Combating*, World Bank (East Asia and Pacific Region, 2003).

¹³ Abigail J Marcus, "Central Bank Governance and the Prevention and Detection of Corruption," *Transparency International Anti-Corruption Helpdesk Answer*, 2019, https://knowledgehub.transparency.org/assets/uploads/helpdesk/Central-bank-governance-2019_PR.pdf.

Since the issue of corruption has fundamental economic impacts on many countries, the role of the central bank, is an important issue for World Bank.¹⁴ The World Bank, as the primary source of global financial flow, has obviously taken an interest in the effective use of its resources, including measures to regulate and impose its policies on its member countries.¹⁵ Furthermore, the World Bank, in collaboration with governments worldwide, plays a role in supporting anticorruption efforts and assisting in the reform of underlying substantive laws through existing initiatives. The World Bank pledged to focus on good Governance and Anticorruption (GAC) to reduce poverty. The World Bank Group (WBG) has numerous measures in place to combat corruption, including practice groups. The most prevalent outcome from each practice group is increased institutional capacity, which is featured in 62.8 percent of World Bank projects. Moreover, the WBG focuses on improved accountability, transparency, and governance that are essential to the effort to control corruption due to the argument that transparency tends to make central banks more accountable.¹⁶ These activities have the potential to improve trust, involvement, and inclusion. In many contexts, such programs may also promote efficient governance and effective service delivery, facilitate private sector growth, strengthen institutions, and gain public trust.¹⁷

Moreover, in conjunction with these efforts, the WBG is said to have an organised working mechanisms that are supported by suitable capabilities to monitor the effectiveness of these activities. Setting global standards for dealing with corruption, technology-based monitoring methods, mapping sectors in corruption-prone countries to establish relevant approaches and interventions, and coordination with associated authorities are among the initiatives mentioned by the WBG.¹⁸ The overall goal of these programs is to achieve a “high level of transparency” as the central bank’s key factor in dealing with corruption. Therefore, from the standpoint of World Bank in controlling corruption, the author believes that by adopting these existing guidelines and initiatives, Indonesia can gradually scale up its corruption eradication efforts.¹⁹

¹⁴ Devid Kumar Basyal, Niraj Poudyal, and Jin Wan Seo, “Does E-Government Reduce Corruption? Evidence from a Heterogeneous Panel Data Model,” *Transforming Government: People, Process and Policy* 12, no. 2 (2018): 134–154, <https://doi.org/10.1108/TG-12-2017-0073/FULL/XML>.

¹⁵ The World Bank Group, *Anticorruption Initiatives: Reaffirming Commitment to a Development Priority*, World Bank Group Equitable Growth, Finance and Institutions, vol. 125 (Washington D.C: The World Bank Group, 2019), <https://doi.org/10.1111/bcpt.13249>.

¹⁶ Marcus, “Central Bank Governance and the Prevention and Detection of Corruption.”

¹⁷ International Monetary Fund, “Corruption: Costs and Mitigating Strategies,” *Staff Discussion Notes* 16, no. 05 (2016): 1, <https://doi.org/10.5089/9781513594330.006>.

¹⁸ Rashedul Hasan and Muhammad Ashfaq, “Corruption and Its Diverse Effect on Credit Risk: Global Evidence,” *Future Business Journal* 7, no. 1 (2021): 18, <https://doi.org/10.1186/s43093-021-00060-1>.

¹⁹ Salvador Lopez, “World Bank IDA Grants and Corruption . Why Do Corrupt Countries Still Get Grants ?,” *Journal of Business and Economics: Inquires and Perspective* 12, no. 1 (2021).

There are three previous studies relating to the relevant issues. The initial research titled “Exploring Anti-Corruption, Transparency, and Accountability in the WHO, UNDP, and WBG (World Bank Group)” by Kohler and Bowra in 2020 emphasises how these organisations strive to combat corruption within their operations.²⁰ The second study by Susilo in 2021 sheds light on the Indonesian National Program for Community Empowerment (PNPM), which aims to centralisedecentralise World Bank policies for poverty eradication and improved social welfare. However, Susilo’s study delves into how corruption significantly impeded the effectiveness of the PNPM program.²¹ The third study by Wamafma *et al.*, in 2022 titled “*Upaya Bank Indonesia Menanggulangi Money Laundering Dalam Perbankan Online*” underscores Bank Indonesia’s efforts to combat money laundering in furtherance of corruption.²² Therefore, drawing on these three studies, this research enriches the discourse by integrating and expanding upon these perspectives. The study further highlights three main areas of discussion, namely: (i) the World Bank alternatives in controlling corruption; (ii) the role of Bank Indonesia in eradicating corruption; and (iii) adopting the World Bank’s alternatives in strengthening Bank Indonesia’s effort to eradicate corruption.

II. THE ROLE OF BANK INDONESIA IN ERADICATING CORRUPTION

Law enforcement in the banking sector and financial crimes can be carried out in various ways, including in civil law, administrative law, and criminal law. In support of eradicating corruption, Bank Indonesia has implemented several strategic policies. These policies include regulations regarding the principles of Know Your Customer (KYC), Good Corporate Governance (GCG) in the banking sector, implementation of risk management in bank management, fit & proper tests of candidates or owners, managers, and bank officials. Moreover, there is a memorandum of understanding between the Attorney General’s Office of the Republic of Indonesia, the Chief of the Indonesian National Police, and the Governor of Bank Indonesia coordinating the prosecuting criminal acts in the banking sector. In addition, Bank Indonesia has established working groups tasked with improving the quality of banking risk management,

²⁰ Kohler and Bowra, “Exploring Anti-Corruption”

²¹ Anggun Trisnanto Hari Susilo, *The Indonesian National Program for Community Empowerment (Pnpm) Rural: Decentralization in the Context of Neoliberalism and World Bank Policies*, International Institute of Social Studies (Netherlands: Forest Stewardship Council, 2021).

²² Filep Wamafma, Enni Martha Sasea, and Andi Marlina, “Upaya Bank Indonesia Menanggulangi Money Laundering Dalam Perbankan Online,” *Jurnal USM Law Review* 5, no. 1 (2022): 357–376, <https://doi.org/10.1057/jdg.2015.10>.

overall banking governance, and compliance with precautionary principles.²³ The institution's apparatus improves continuously. Thus, it has a high integrity in its capabilities, sufficient competence, and an excellent financial reputation on non-juridical measures. These measures are seen in the form of public relations and socialisation in the community.²⁴ The research elaborates on the strategies into preventive and repressive approaches to understanding Bank Indonesia's efforts in tackling corruption:

A. Bank Indonesia's Preventative Strategies in Eradicating Corruption

Corruption is a problem that is persistent and not easily detected. Repressive measures only impose punishment consequently for actions after the fact. However, the resulting damage still exists, and an inhibitory perspective must be recognised to avoid this unfortunate circumstance further. In dealing with corruption, Bank Indonesia's preventative measures are as follows:

1. Bank Indonesia Governance's Commitment to Fighting Corruption

Bank Indonesia's governance approach to corruption is divided into gift giving and state wealth reports. Bank Indonesia is committed to strengthening governance, especially regarding conflicts of interest. One of the conflicts of interest that have come to Bank Indonesia's attention is giving and receiving gifts. Acceptance of gifts related to official duties and positions is a gateway to conflicts of interest that harm the institution's interests and is a source of corruption that undermines institutional credibility and is detrimental to the state. To ensure that the commitment of Bank Indonesia personnel is maintained in receiving gratuities, Bank Indonesia has provisions governing procedures for controlling gifts. In its enforcement, a Gift Control Unit has been established. It will handle reporting on receipt of value from employees and coordinate with the Corruption Eradication Commission or *Komisi Pemberantasan Korupsi* (KPK) for the reporting such gifts. As part of efforts to realise a clean and free state administration of corruption, collusion, and nepotism, Bank Indonesia requires the leadership and employees of Bank Indonesia to submit the State Administrators Wealth Report or *Laporan Harta Kekayaan Penyelenggara Negara* (LHKPN) to the Corruption Eradication Commission. The obligation to report assets is a framework for the prevention of potential abuse of position and authority, instil honesty and integrity, transparency among state administrators,

²³ Henny Muchtar, "Kebijakan Hukum Pidana Dalam Penanggulangan Kejahatan Di Dunia Perbankan," *Jurnal Demokrasi*, 9, no. 1 (2010).

²⁴ Linda Hindriana, "Penerapan Undang-Undang Tindak Pidana Korupsi Dalam Menangani Kejahatan Perbankan," *Aktualita : Jurnal Hukum* 3, no. 1 (2020): 303–18, <https://doi.org/10.29313/AKTUALITA.V0I0.5945>.

and a commitment to realising clean state administration at all levels of an organisation. To maintain its commitment and ensure the implementation of these obligations, submission of LHKPN by employees is one of the requirements in the promotion process. Violation of these obligations is also the object of Bank Indonesia's disciplinary enforcement.²⁵

2. Principles for Strengthening Corruption Prevention

Measures to prevent corruption in Bank Indonesia are reflected through practical, effective principles in daily activities. These principles allow Bank Indonesia to transform positive laws and regulations into applicable policies.

a) Precautionary Principle in Banks

the precautionary principle regulated in Article 2 of Law Number 10 of 1998 on Amendments to Law Number 7 of 1992 on Banking (the Bank Law). However, the Bank Law does not elaborate on the definition of the precautionary principle. The explanation of the precautionary principle is more clearly described in Article 2 of Law Number 21 of 2008 on Islamic Banking. Under this Article the precautionary principle is a bank management guideline that must be ensure sound, strong, and efficient banking adhering to the provisions of laws and regulations. According to Rachmadi Usman, the precautionary principle states that banks must act prudently to protect public funds that have been entrusted to the bank in carrying out their functions and business activities,²⁶ Practically speaking, the precautionary principle is realised by the 5C characteristics, namely character, capacity, collateral, condition of economics, and capital. The 5C principle is a manifestation of the precautionary principle, which is a step to minimise non-performing loans.²⁷ This principle offers a benchmark for banks when they want to extend credit; it is a vital action to take when extending credit to debtors to see whether the debtor is creditworthy.

b) Know Your Customer Principles

KYC principles are applied by banks to find out customer identities and monitor customer transaction activities, including reporting suspicious transactions. The KYC Principles regulation is set forth in Bank Indonesia Regulation No. 3/10/PBI/2001 on the Implementation of KYC Principles. KYC Principles are expected to minimise various risks, such as

²⁵ Bank Indonesia, "Governance Commitment."

²⁶ Anisa Rahma Dita Dwinanda, "Penerapan Prinsip Kehati-Hatian Dalam Layanan Pinjam Meminjam Uang Berbasis Teknologi Informasi Pada Situs Uangteman.Com," *Jurist-Diction* 2, no. 3 (July 2019): 819–34, <https://doi.org/10.20473/JD.V2I3.14350>.

²⁷ Rahmadi Indra Tektuna and Qoriatur Risma, "Penerapan Prinsip Character Dalam Pelaksanaan Prinsip Kehati-Hatian Pada Analisis Pemberian Kredit Usaha Mikro," *Batulis Civil Law Review* 1, no. 1 (October 2020): 1–13, <https://doi.org/10.47268/ballrev.v1i1.420>.

operational risk, legal risk, diversification risk, and reputational risk. The KYC Principles have been further clarified through the issuance of Bank Indonesia Regulation No. 5/21/PBI/2003 on Implementation of KYC Principles. Then in 2009, it was refined by Bank Indonesia Regulation No. 11/28/PBI/2009 on the Implementation of Anti-Money Laundering and Prevention of Terrorism Financing Programs for Commercial Banks, which was updated with Bank Indonesia Regulation No. 14/27/PBI/2012.²⁸ Article 2 Paragraph (2) of Bank Indonesia Regulation No. 3/10/PBI/2001 describes the implementation of KYC Principles which are:²⁹

- 1) Establish a customer acceptance policy;
 - 2) Establish policies and procedures for identifying customers;
 - 3) Establish policies and procedures for monitoring customer accounts and transactions; and
 - 4) Establish risk management policies and procedures related to the implementation of KYC Principles
- c) Good Corporate Governance Principles

As an increasingly popular concept, good corporate governance does not have a single definition. For a comprehensive understanding, the principles are articulated by the Organisation for Economic Cooperation and Development (OECD) definition of Good Corporate Governance (GCG). Corporate Governance serves as a framework directing and overseeing a company's business activities, regulating the allocation of tasks, rights, and obligations among stakeholders involved in the company's affairs, including shareholders, the board of directors, managers, and non-shareholder stakeholders.³⁰ There are 5 (five) characteristics of GCG.³¹

- 1) Transparency: This involves openness within the company during decision-making processes and the disclosure of pertinent material and information about the company.

²⁸ Ahmad Fadhillah, Zainal Asikin, and Lalu Parman, "Prinsip Mengenal Nasabah (Know Your Customer Principle) Oleh Bank Dalam Pencegahan Tindak Pidana Pencucian Uang," *MEDIA BINA ILMIAH* 13, no. 10 (November 2019): 1727–38, <https://doi.org/10.33758/MBI.V13I10.365>.

²⁹ Yenny Yorisca, "Tantangan Global Saat Ini: Menghadapi Peers To Peers Lending Dengan Know Your Customer Principles Dalam Praktik Perbankan," *Jurnal Legislasi Indonesia* 18, no. 2 (June 2021): 272–81, <https://doi.org/10.54629/JLI.V18I2.751>.

³⁰ Rinitami Njatrijani, Bagus Rahmanda, and Reyhan Dewangga Saputra, "Hubungan Hukum Dan Penerapan Prinsip Good Corporate Governance Dalam Perusahaan," *Gema Keadilan* 6, no. 3 (November 2019): 242–67, <https://doi.org/10.14710/GK.6.3.242-267>.

³¹ Imam Suwandi, Ria Arifianti, and Muhamad Rizal, "Pelaksanaan Prinsip-Prinsip Good Corporate Governance (GCG) PADA PT. Asuransi Jasa Indonesia (JASINDO)," *Jurnal Manajemen Pelayanan Publik* 2, no. 1 (July 2018): 45–54, <https://doi.org/10.24198/JMPP.V2I1.21559>.

- 2) Accountability: This pertains to the clarity of functions, implementation, and accountability of company organs, ensuring effective management.
- 3) Responsibility: This involves compliance with laws and regulations, as well as management's adherence to sound governing company.
- 4) Independence: This refers to the professional management of the company free from conflicts of interest from influence or pressure from parties not bound by laws, regulations, or sound corporate principles.
- 5) Fairness: This entails justice and equality in protecting the rights of stakeholders, as dictated by agreements, laws, and regulations.

3. Establishment of Supporting Agencies

Corruption is a very complex issue in the banking sector. This is because corruption comes in many forms. Corruption could victimise both customers and banks. Therefore, a supporting agency is needed to investigate potential corrupt acts. The concrete action Bank Indonesia has taken in the context of law enforcement in the event of a banking dispute is the establishment of a Directorate of Banking Investigation and Mediation. The main task of this Directorate is to mediate disputes between customers and banks and to investigate the possibility of banks taking actions that do not comply with applicable regulations.³² The efforts made by the Directorate of Banking Investigation and Mediation of Bank Indonesia to overcome banking crime include the following steps.³³

- a) Improve cooperation and coordination with related work units at Bank Indonesia, such as the Directorate of Bank Supervision, the Directorate and Banking Regulations, and the Directorate of Banking Licensing and Information.
- b) Inform the Directorate of Banks and the Directorate of Licensing and Banking information of perpetrators of banking crimes related to implementation of the "fit and proper test".
- c) Process the alleged bank crime and submitted to the Directorate of Banking Investigation and Mediation. If there is an alleged criminal act in the banking sector, the case is referred to an Investigator.
- d) Establish cooperation in handling bank crimes with the Police and the Prosecutor's Office of the Republic of Indonesia.

³² Herliana, "Peran Bank Indonesia Sebagai Pelaksana Mediasi Dalam Penyelesaian Sengketa Perbankan," *Mimbar Hukum: Fakultas Hukum Universitas Gadjah Mada* 22, no. 1 (2010): 140–56, <https://doi.org/10.22146/JMH.16218>.

³³ Budiyo, "Peran Bank Indonesia Dalam Penanggulangan Tindak Pidana Perbankan."

- e) Cooperating with the Corruption Eradication Commission and the Financial Transaction Reports and Analysis Centre.
- f) Referral of banking crimes to Police Investigators and the Prosecutor's Office.
- g) Socialisation regarding bank crimes to banking institutions through the Communication Forum for the Director of Banking Compliance.
- h) Dissemination of criminal acts to the public in the form of seminars and other publications.

Other supporting agencies of Bank Indonesia prevent illicit behaviour in the banking system including: (1) The Directorate of Accounting and Payment System is a work unit that makes the obligatory notification by the issuing bank of payment instruments using ATM cards, building a cashless society; (2) Bank Indonesia's Directorate of Research and Banking Regulation is tasked with compiling a Market Conduct Framework that guides banks to behave fairly towards their customers; and (3) Bank Indonesia's Directorate of Banking Licensing and Information reminds debtor customers to maintain "clean behaviour" by paying off debt obligations without any negative record. Once there is a loan delinquency, it will be recorded in the Information System Debtor Program for an extended period. Keeping a clean credit history ultimately protects customers' interests, namely when they want to apply for new credit.³⁴

B. Bank Indonesia's Repressive Strategies in Eradicating Corruption

Repression strategies towards corruption in Bank Indonesia is a management in the form of law enforcement, which means criminal consequences. Repressing corruption from Bank Indonesia's perspective is seen in 3 (three) elements:

1. Indonesia's Positive Laws on Corruption

Indonesia's positive laws regarding corruption started in 1950. However, not all regulation explicitly stated their repressive action toward corruption. Hence, the research has categorised regulations of corruption with each its punishment.

³⁴ Bank Indonesia, "Perlindungan Nasabah: Agar Bank & Nasabah Sama-Sama Nyaman," 2011.

Table 1
Sanctions Regulated by Indonesia's Positive Law on Corruption

No.	Regulation	Sanction Provisions
1.	Law No. 24 (PERPPU) of 1960 on the Crime of Corruption.	<u>Article 13</u> Prisoned up to 12 years, fined max Rp 1 billion
2.	Law No. 3 of 1971 on Corruption Eradication	<u>Article 24</u> Prisoned 20 years-life times, fined max Rp 30 million.
3.	Law No. 10 of 1998 on Banking	<u>Article 46</u> Prisoned 5-15 years, fined from Rp 10-20 Billion.
4.	Law No. 28 of 1999 on State Administrators that are Clean and Free of Corruption, Collusion, and Nepotism.	<u>Article 21</u> Prisoned 2-12 years, fined from Rp 200 million to Rp 1 billion
5.	Law No. 20 of 2001 on Amendments to Law no. 31 of 1999 on the Eradication of Corruption Crimes.	<u>Article 5, Article 6, Article 12B</u> Prisoned for 5-20 years and fined Rp 10 million to Rp 1 billion.
6.	Law No. 30 of 2002 on the Corruption Eradication Commission.	<u>Article 65</u> Prisoned max 5 years.

The table illustrates that the regulation of corruption has developed and changed through the years. The sanctions consist of a combination of prison sentences and criminal fines, each of which has values of its own. Unfortunately, these many regulations lean towards a multidimensional and overlapping nature, making them hard to implement.

2. Bank Indonesia's Coordination with the Corruption Eradication Commission

The Corruption Eradication Commission's approach to corruption also involves repression and prevention. The measures taken by the Corruption Eradication Commission in tackling corruption are coordination and supervision activities, handling cases, delegation, and taking-over cases. Bank Indonesia and the corruption eradication commission have signed a memorandum of understanding on cooperation, including regarding the possibility of making customer data available in electronic format, especially indications of accounts suspected of being the result of corruption. Article 5 paragraph 2 and 3 of Law Number 28 of 1999 states that every State Administrator must report and announce assets before, during, and after serving in public office. The management of State Administrators Wealth Report or *Laporan Harta Kekayaan Penyelenggara Negara* (LHKPN) prepared by the Corruption Eradication Commission arises from efforts to improve compliance, management of LHKPN, cooperation or support from agency leaders, transparency to the public, and the effectiveness of LHKPN inspections. As for gifts, the Corruption Eradication Commission has the authority to:³⁵

³⁵ Ruslan Abdul Gani, "Eksistensi KPK Dalam Pemberantasan Korupsi Di Indonesia," *Jurnal Lex Specialis*, 2010.

- a. Publish research reports or complaints from the public, non-governmental organisations, community, or government agencies regarding the alleged receipt of gifts to civil servants;
- b. Identification of gifts, both monetary and in kind, received by state officials;
- c. Search for evidence for the investigation of state officials or civil servants suspected of receiving gifts;
- d. Examination of reports on receipt of ratification and the like; and
- e. Transfer of gifts that belong to the state to the Minister of Finance.

The Corruption Eradication Commission's role in LHKPN and gifts are in a direct line to the governance commitment stated by Bank Indonesia prior. Therefore, there is a clear synergy between the two institutions. Although the Corruption Eradication Commission is not the sole authority in dealing with corruption, it has contributed to a significant increase in identifying corrupt officials.

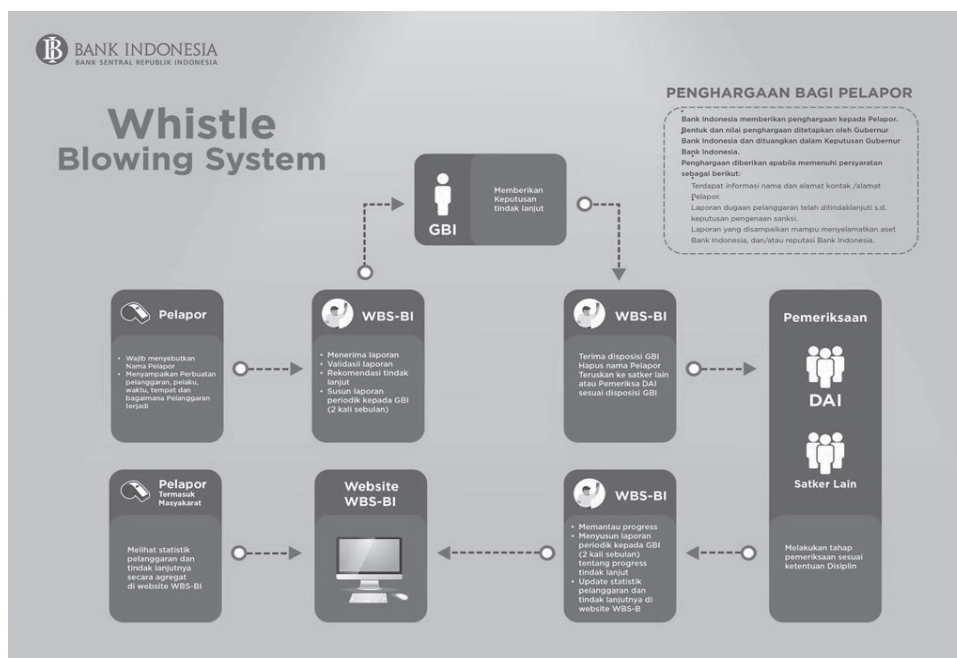
3. Bank Indonesia's Whistle-blower System

Bank Indonesia has established a mechanism for reporting violations known as the Bank Indonesia Whistle-blower System (WBS). This system functions as a complement to the existing ethics infrastructure, aiming to identify breaches of the code of ethics and code of conduct. The WBS serves as a reporting tool accessible to both internal stakeholders within Bank Indonesia and the public. It enables individuals to report any behaviours or actions by Bank Indonesia personnel that contravene the Bank Indonesia Code of Ethics and Conduct. Alleged violations that can be reported through WBS-BI include alleged violations of laws and regulations and Bank Indonesia internal regulations, which include:³⁶

- a. Corruption, collusion, and nepotism;
- b. theft and fraud;
- c. bribes and in kind gifts;
- d. violation of the code of ethics and code of conduct of Bank Indonesia; and
- e. other unlawful acts.

³⁶ Bank Indonesia, "Whistleblowing System Bank Indonesia," 2015, <https://www.bi.go.id/wbsbi/>.

Illustration 1.
Bank Indonesia's Whistle Blowing System



Source: <https://www.bi.go.id/wbsbi/>

The Whistle-blower System (WBS) operates as a seamlessly coordinated system, managing the entire process from the receipt of reports to the investigation of alleged violations. This system allows the public to report potential breaches of ethics, illicit conduct, and disregarding procedures committed by Bank Indonesia personnel, serving as a mechanism for societal oversight. Reports submitted through WBS are treated confidentially, and if there is substantial evidence, they proceed to the subsequent investigative phase. The WBS establishes a framework for mutual monitoring, ensuring the alignment of behaviour and adherence to work procedures among Bank Indonesia personnel. Furthermore, the WBS reflects Bank Indonesia's commitment to upholding integrity and professionalism, including the enforcement of accountability in response to alleged violations.

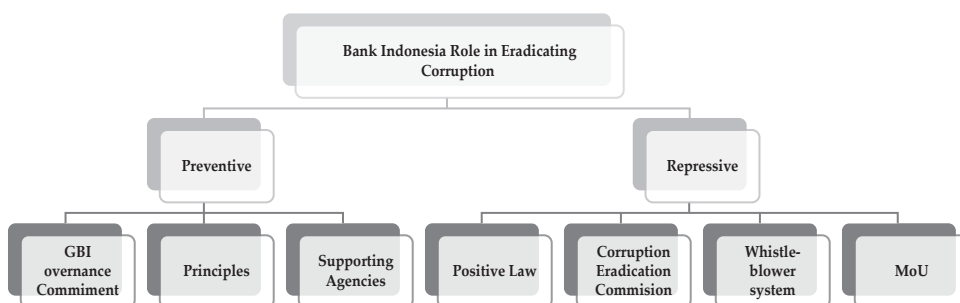
4. Memorandum of Understanding between the Attorney General's Office of the Republic of Indonesia, Chief of the Indonesian National Police, and the Governor of Bank Indonesia No: 13/104/KEP.GBI/2011, No: B/31/XII/2011, No: Kep-26/A/JA/12/2011 on Optimising the Eradication of Corruption

The MoU consists of coordination and its implementation on eradicating Bank Crime, including corruption. The MoU only contains seven main agreements, which are listed in Article 4 on the scope of the collective agreement, which consists of:³⁷

- a. Prevention of corruption;
- b. Handling corruption cases;
- c. Return of state financial losses in cases of corruption;
- d. Legal protection for whistle-blowers or other confidential informants in disclosing corruption;
- e. Personnel assistance in handling corruption cases;
- f. Joint education/training in handling corruption cases; and
- g. Public information disclosure in the context of handling corruption cases.

Article 21 of the MoU states that the coordination team is allowed to exchange information and data to support law enforcement, particularly for suspected corruption cases and money laundering crimes.³⁸

Illustration 2.
Bank Indonesia's Role in Eradicating Corruption



³⁷ Zayanti Mandasari, "Kedudukan Memorandum of Understanding Dan Surat Keputusan Bersama Ditinjau Dari Teori Perundang-Undangan," *Jurnal Hukum IUS QULA IUSTUM* 20, no. 2 (April 2013): 278–99, <https://doi.org/10.20885/IUSTUM.VOL20.ISS2.ART6>.

³⁸ See <https://www.kejaksaan.go.id/upldoc/produkhkm/KEP-261-A-JA-09-2011.pdf>

III. CONTROLLING CORRUPTION: THE WORLD BANK INITIATIVES FOR MEMBER STATES

Established in 1944 to address reconstruction and development needs following World War II, the World Bank has evolved into five primary development institutions. These entities offer low-interest to no-interest loans and grants to developing nations, along with providing policy, research, and analysis guidance, all aimed at globally reducing poverty.³⁹ Despite its historical economic focus, governance and corruption issues have emerged as substantial challenges hindering the World Bank's objectives and targets over the years. The identification of obstacles faced by world banks is consistent with the "GONE theory" by Jack Bologne in 1993, according to which, in terms of root causes of fraud, factors causing weak legal and government institutions that lead to high levels of corruption, are the greed, and exposure factor. Greed is an individual factor associated with the individual fraud perpetrator, whereas exposure is a generic/general factor related to the organisation as a victim of fraud. Greed has the potential to affect everyone and is related to individual corrupt officials.⁴⁰ In contrast, disclosure is related to the actions or consequences faced by fraud perpetrators if they are found to have committed fraud. The link between corruption exposure and lenient punishment is that the short sentence is that the deterrent effect is minimal. Without meaningful punishment, individuals within the bureaucracy involved in government activities will be more likely to engage in fraudulent behaviour. It appears that exposure is a factor that will significantly increase the potential of fraud.

The World Bank is compelled to consider these elements in its activities, as there is a widely-acknowledged understanding that inadequate legal and governmental institutions, coupled with heightened levels of corruption, can inflict severe consequences on a nation's economic advancement, leading to diminished social welfare.⁴¹ The social welfare theory, which delves into competitive enforcement and monopolistic enforcement, present optimal solutions for governments that want to maximise welfare to embed the need for corruption eradication.⁴² The welfare state theory uses corruption, which is modelled both under the assumption of competitive enforcement and monopolistic enforcement. In an environment characterised by competitive

³⁹ The World Bank, "What We Do," 2013.

⁴⁰ Jaka Isgiyata, Indayani Indayani, and Eko Budiyni, "Studi Tentang Teori GONE Dan Pengaruhnya Terhadap Fraud Dengan Idealisme Pimpinan Sebagai Variabel Moderasi: Studi Pada Pengadaan Barang/Jasa Di Pemerintahan," *Jurnal Dinamika Akuntansi Dan Bisnis* 5, no. 1 (2018): 36, <https://doi.org/10.24815/jdab.v5i1.8253>.

⁴¹ Susan Rose-Ackerman, "The Role of the World Bank in Controlling Corruption," *Law and Policy International Business*, 29 (1997): 93, https://doi.org/10.1007/978-981-10-7950-4_8.

⁴² Nuno Garoupa and Daniel M. Klerman, "Corruption and Private Law Enforcement: Theory and History," *Review of Law and Economics* 6, no. 1 (2010), <https://doi.org/10.2202/1555-5879.1394>.

law enforcement and a multitude of potential agencies, information pertaining to criminal offenses is widely shared. In cases where a perpetrator attempts to influence a specific law enforcement agency through bribery, pertinent prosecution information should be accessible to other agencies. Consequently, when law enforcement action is taken, the perpetrator is compelled to make successive bribes, leading to an escalating, ultimately ineffective cycle.⁴³ In brief, when information regarding offenses is widely accessible, a government seeking to maximise welfare would favour a competitive market structure. Such a structure has the potential to mitigate corruption, enabling the government to implement law enforcement policies that align with social optimisation. As a result, competitive law enforcement and extensive information can help to prevent corruption.

In addition to the competitive enforcement discussed above, it is also essential to examine situations where information about offense is aggregated, making the likelihood of prosecution following bribery low. Corruption serves as a mechanism to extract additional revenues for the enforcement agency within a monopolistic enforcement framework. In instances where information is constrained or the market structure exhibits monopolistic characteristics, the government may face challenges in implementing an optimal level of law enforcement efficiently. Effectively eliminating corruption within a monopolistic enforcement setting requires the government to establish rewards that convey a clear indication that total enforcement efforts will be diminished under monopoly, thereby discouraging corrupt practices. High rewards result in an excessive amount of law enforcement effort, resulting in a misallocation of social and financial resources for law enforcement. To maximise welfare, governments must seek the best solutions that balance the costs of harmful violations versus savings in law enforcement.⁴⁴

The World Bank's capacity to heed its call to action necessitates an appreciation of the institution's constrained mandate. While the Bank had started addressing governance concerns as far back as the 1950s, directly confronting corruption has consistently been a delicate and avoided matter due to the Bank's provisions explicitly prohibiting engagement in political activities, as stipulated in its Articles of Agreement.⁴⁵ Despite the World Bank openly championing its anti-corruption initiatives, its impact in the developing world remains circumscribed by its mandate. Consequently, any endeavours to combat corruption must be inherently apolitical.⁴⁶

⁴³ Isgiyata, Indayani, and Budiyni, "Studi Tentang Teori GONE"

⁴⁴ Nuno Garoupa and Daniel M Klerman, "Corruption and Private Law Enforcement : Theory and History" *Review of Law and Economics* 6, no. 1 (2010): 75-96.

⁴⁵ "IBRD Articles of Agreement," World Bank Group, 2018.

⁴⁶ Megan Wanless, "The World Bank's Fight against Corruption: 'See Nothing, Hear Nothing, Say Nothing,'" *Hydra* 1, no. 2 (2013): 39-48.

The WBG recognises that corruption can take various forms. Each type of corruption is significant and addressing them all is critical to achieving progress and long-term change. In its implementation, The World Bank's efforts to combat corruption are channelled through these four dimensions.⁴⁷

1. The General Counsel of the WBG has emphasised the need for careful consideration when addressing corruption issues, urging action based on factual evidence and within the parameters that impact a country's economic development.⁴⁸ Acknowledging the significance of corruption concerns to international financial sources, business entities, and the governments and populations of its member countries, the WBG views corruption as an economic matter. The established governance framework approved by the Board allows the Bank to offer guidance on economic policy reform and enhance institutional capacity to address corruption. However, it's crucial to note that the Bank's mandate does not extend to political aspects of corruption control. While civil society involvement is pivotal for sustained corruption control, the Bank, as a government lender, has defined limits in directly supporting civil society's anti-corruption efforts. Therefore, the Bank's ability to assist countries in combating corruption is governed by its mandate, shaping the nature of its response to these issues.⁴⁹
2. In a 1996 address to World Bank shareholders, World Bank President James D. Wolfensohn identified corruption as a significant impediment to development, describing it as a major disincentive to investment and a crippling tax for the poor. He condemned the "cancer of corruption" and demanded a zero-tolerance policy toward fraud and corruption. Henceforth, the World Bank's anti-corruption strategy, implemented since 1996, is structured around four fundamental pillars:⁵⁰
 - a. Providing assistance to countries seeking support to address corruption;
 - b. Elevating anti-corruption initiatives as a central focus in the World Bank's analysis and lending decisions in a given country;
 - c. Actively participating in global endeavours to combat corruption; and
 - d. Taking steps to prevent fraud and corruption within projects and operations financed by the World Bank.

⁴⁷ Banco Mundial, *The World Bank's Anti-Corruption Guidelines and Sanctions Reform* (Washington D.C.: The World Bank Group, 2007).

⁴⁸ Costantino Grasso, "Corruption in World Bank–Financed Development Projects : A Phenomenon-Focused Examination," in *Corruption in the Global Era*, Lorenzo Pasculli and Nicholas Ryder, ed. (Coventry: Routledge, 2019), 258–76, <https://doi.org/10.4324/9780429197116-13>.

⁴⁹ Ravi Kanbur, "The Role of the World Bank in Middle-Income Countries," in *Issues in Indian Public Policies*, eds., Vinod G. Annigeri, R.S. Deshpande, and Ravindra Dholakia, 167–80, (Singapore: Springer, 2018), https://doi.org/10.1007/978-981-10-7950-4_8.

⁵⁰ Shihata and Wolfensohn, "Corruption — A General Review with an Emphasis on the Role of the World Bank."

Notably, the World Bank underscores that projects funded by the Bank are aimed at preventing fraud and corruption, the eradication of which persists as a pivotal aspect of its overall strategy. Emphasizing a realistic approach, the Bank acknowledges, however, that the overarching objective is not the complete eradication of corruption, an impractical aspiration. Instead, the goal is to assist countries in transitioning from entrenched systemic corruption to a realm characterised by good governance, thereby mitigating corruption's adverse effects on a nation's socio-economic development.⁵¹

3. Effectively addressing corruption requires the active involvement of entities beyond the government agencies, encompassing lawmakers, civil society, households, the private sector, and the media. In its role as a provider of development finance and policy counsel to governments, the Bank has positioned itself as a crucial ally in the anti-corruption endeavour, supporting countries in formulating and executing anti-corruption initiatives. When requested, the Bank can extend its assistance within the bounds of its mandate and expertise. Such collaboration involves partnering with other international institutions and bilateral aid donors. The Bank's advice to a specific country will be tailored according to its unique circumstances, with a particular emphasis on economic policy reform.⁵²
4. Finally, lending its voice and support to international efforts to combat corruption is integral to the Bank's strategy. The WBG's anti-corruption strategy combines a proactive approach with anticipating and managing project risks. International efforts to combat corruption are expanding, and the Bank can play an active role.

In the view of the fact that a country's government remains the WBG's primary counterpart, the WBG's emphasis on Governance and Anticorruption (GAC) stems from its limited mandate, which states that the Bank and its staff must be concerned only with economic causes and effects and should refrain from intervening in the country's political affairs.⁵³ Still, the WBG is committed to engaging in the fight against poverty and seeking innovative initiatives to provide support. In short, the part of the corruption system that WBG can touch on is its economic concern within the framework of a legal mandate. This mandate seeks to be actively involved in policy reform, as long as it is economic policy and avoids political affairs.⁵⁴

⁵¹ The World Bank Group, *Anticorruption Initiatives*.

⁵² Isabel Brusca, Francesca Manes Rossi, and Natalia Aversano, "Accountability and Transparency to Fight against Corruption: An International Comparative Analysis," *Global Health Action* 20, no. 5 (2017): 486–504, <https://doi.org/10.1080/13876988.2017.1393951>.

⁵³ Bissio, "Leveraging Corruption"

⁵⁴ The World Bank, "Helping Countries Combat Corruption: The Role of the World Bank," 1997.

On an international scale, a comprehensive review of the World Bank's work in terms of anti-corruption commitments in various programs in various countries was held in 2017. This review measures the world bank's role in supporting the national strategy to eradicate corruption, designing concrete actions to implement anti-corruption moves, and judicial efforts to strengthen anti-corruption prevention mechanisms. The outcomes of the review primarily emphasise measures that yield positive results.⁵⁵ Notably, the findings reveal that initiatives incorporating anti-corruption measures into broader institutional strengthening strategies, as opposed to treating the battle to fight corruption as a rule-centric endeavour with less emphasis on implementation, tend to be more successful. The second review underscores those advancements in anti-corruption measures are rooted in normative shifts at the local level. For instance, the study highlights that those initiatives aimed at enhancing public sector organisations, training professionals, and establishing robust bureaucracies should include interventions to fortify norms and informal accountability structures. Lastly, the review underscores that the effective implementation of the World Bank's fiduciary principles, coupled with diligent compliance efforts, constitutes a key factor in the Bank's endeavours to engage with client governments.⁵⁶

Another important consideration is the use of technological advantages in eradicating social phenomena by providing quantifiable analysis regarding potential risks. However, technology brings at paradox, that technological advances create both advantages and risks. The argument is grounded in the belief that the acceleration of globalisation in the last two decades has caused foreign investment in each country to be greater, with all the conveniences of international companies in transferring assets and benefiting from globalisation.⁵⁷ In line with this, eradicating corruption has entered a new phase, in which globalisation means market expansion, making it increasingly difficult to detect all forms dynamic corruption. Moreover, artificial intelligence, which has the potential to initially develop approaches to preventing and combating corruption, while also enabling the process of transferring large sums of money and concealing ill-gotten assets.⁵⁸ Thus, it is important to ensure that the use of technology will weigh on the prevention instead of the growth risk.

Moreover, a fascinating aspect of the corruption phenomenon is that corruption and the anti-corruption movement are developing in lockstep.

⁵⁵ "Combating Corruption," The World Bank, 2021.

⁵⁶ The World Bank Group, *Anticorruption Initiatives*.

⁵⁷ Jonathan Murphy and Oana Brindusa Albu, "The Politics of Transnational Accountability Policies and the (Re)Construction of Corruption: The Case of Tunisia, Transparency International and the World Bank," *Accounting Forum* 42, no. 1 (2018): 32–46, <https://doi.org/10.1016/j.accfor.2017.10.005>.

⁵⁸ Banco Mundial, *The World Bank's Anti-Corruption Guidelines and Sanctions Reform*.

While there is no “one-size-fits-all” regulation to combat corruption, there is also no silver bullet.⁵⁹ Given this fact, as previously stated, handling corruption eradication through work programs must also evolve regularly. Efforts in the World Bank’s future anti-corruption journey necessitates a new approach at the national and global levels.⁶⁰

A 2019 review proposes five initiatives representing various work programs and can serve as a foundation for reaffirming the commitment to the anti-corruption movement. Transparency is the primary pillar of anti-corruption efforts with the potential to strengthen the development of a system based on technological innovation. The WBG uses a proactive policy approach and risk control with strict supervision over fighting corruption. The World Bank employs a sanctions framework in the examination of fraud and corruption allegations related to projects funded by the institution. A public complaint mechanism has been introduced to bolster the oversight system. This commitment was highlighted in 2020, with the World Bank Group imposing sanctions on 49 firms and individuals and acknowledging 72 cross-debarments from other multilateral development banks. Upon substantiation of fraud and corruption allegations, implicated companies are prohibited from engaging in any new activities financed by the WBG.⁶¹

To respond to the changing environment, the World Bank’s anticorruption initiatives require a specific approach. Here are five ways that citizens and governments can work together to combat corruption with the support from the World Bank:

⁵⁹ Xuan Minh Nguyen and Quoc Trung Tran, “Corruption and Corporate Investment Efficiency around the World,” *European Journal of Management and Business Economics* 31, no. 4 (2022): 425–438, <https://doi.org/10.1108/EJMBE-11-2020-0321>.

⁶⁰ Taryn Vian, “Anti-Corruption, Transparency and Accountability in Health: Concepts, Frameworks, and Approaches,” *Global Health Action*, 2020, <https://doi.org/10.1080/16549716.2019.1694744>.

⁶¹ Hamad A. Kasasbeh, Metri F. Mdanat, and Raed Khasawneh, “Corruption and FDI Inflows: Evidence from a Small Developing Economy,” *Asian Economic and Financial Review* 8, no. 8 (2018): 1075–85, <https://doi.org/10.18488/journal.aefr.2018.88.1075.1085>.

Table 2.
The Initiatives, Program and Partnerships Conducted by the World Bank

Initiatives	Work Programs	Partnerships
Shaping global norms and standards and monitoring member countries' anti-corruption policies	The World Bank advocates for the use of best practices as a preventive tool for implementation in various countries, such as conflict of interest management and procedures.	<ul style="list-style-type: none"> • Collaborate with the G20 ACWG⁶² to set standards on crucial subjects including conflicts of interest, leveraging technology for anti-corruption efforts, and safeguarding whistle-blowers by promoting High-Level Principles. • Engage in partnership with the B20 on "Clean Banking" and the "Transparency Compact" to formulate and disseminate standards for Beneficial Ownership under Projects 4 and 5. • Aid with the implementation of AML-CFT⁶³ standards, recognised as pivotal in countering illicit financial flows (IFFs).
Strengthening state's regulatory system by limiting their power to control private sectors	The World Bank initiated diagnostic policy identification through dialogue and processes that engage with policies to strengthen state institutions. The Bank will also create or improve tools to strengthen accountability institutions and combat illicit financial flows.	<ul style="list-style-type: none"> • Establish a user-friendly Citizens Budget and updating an online portal to access spending data for countries with high-risk corruption
Strengthen anti-corruption in specific sectors as resilience efforts to mitigate globalized risks	The World Bank provides appropriate measures in eradicating corruption according to the sector capacity and capability	<ul style="list-style-type: none"> • Support the dissemination of the "G20 Compendium of Good Practices for Promoting Integrity and Transparency in Infrastructure Development". • Establish a comprehensive framework to integrate integrity considerations into infrastructure governance, emphasizing quality and value for money in infrastructure investments. This can be achieved through the implementation of integrity principles or contractual mechanisms. • Advocate for the adoption of oversight, assurance, and due diligence processes, exemplified by initiatives such as the CoST⁶⁴ initiative in infrastructure and Public-Private Partnership (PPP) projects, extending this approach to encompass Bank operations.

⁶² Anti-Corruption Working Group (ACWG) is a joint commitment of G20 member countries in promoting anti-corruption values into their national and international legal instruments. ACWG play its role in formulating comprehensive recommendation regarding the member states effort in controlling corruption.

⁶³ Anti-Money Laundering and Counter-Terrorism Financing (AML-CFT) is a standard that provides novel approaches to combating crime and tackling the intersections of IFF and development, including human security, corruption, financial inclusion, and ease of doing business.

⁶⁴ The Infrastructure Openness Program (CoST) is the world's premier initiative to improve transparency and accountability in public infrastructure. CoST collaborates with government, business, and civil society to enhance data transparency, validation, and interpretation from infrastructure initiatives.

Table 2.
The Initiatives, Program and Partnerships Conducted by the World Bank
(Continued)

Initiatives	Work Programs	Partnerships
Using of technological advances to prevent corruption and promoting high-transparency institution	The World Bank mandated that companies disclose beneficial ownership information as a prerequisite for bidding on high-value contracts funded by Bank resources.	<ul style="list-style-type: none"> • Foster collaboration with UK Government, Open Government Partnership, EITI,⁶⁵ and other initiatives to enhance awareness of policy solutions and technical tools supporting the utilization and disclosure of beneficial ownership information. • In Serbia, the Bank played a pivotal role in developing a participatory platform that brings stakeholders together to identify and pursue specific actions aimed at enhancing transparency, integrity, and good governance to foster inclusive growth. • In Uganda, the government launched a “know-your-budget” platform that provides citizens with access to information about public funds. • Establishing anonymous whistle-blower portal
Involving media as ‘facilitator’ to meet their critical contribution to corruption case exposal	The World Bank focuses on communication and collaboration with the media to end corrupt practice by investigating and exposing it.	<ul style="list-style-type: none"> • Collaborate with bankers’ associations, and other partners to formulate best practices and recommendations regarding the involvement of legal and financial professionals in corruption schemes. Additionally, work towards preventing the misuse of legal privilege and professional secrecy for corrupt purposes. • Starting in 2016, the World Bank implementing performance contracts incentivize customs inspectors to prevent tariff evasion by monitoring state’s performance with information technology.

According to the previous explanation and the supporting table, the World Bank initiatives underlies the importance of six major points, namely controlling corruption through project-based and sector-based approach, media involvement, technological advances, regulations outlining best practice, interrelationship collaboration, and monitoring efforts. Initiatives created in order to set standards, guidelines, and best practices that are adaptable to the World Bank’s member states.⁶⁶ The most essential part of these initiatives lies on the role of central banks in ensuring transparency in gaining public trust. Economically speaking, of course it is one way to optimise financial flows and reduce poverty worldwide. However, as a soft law instrument, none of

⁶⁵ The Extractive Industries Transparency Initiative (EITI) is a global standard that promotes transparent and responsible oil, gas, and mineral resource management.

⁶⁶ Poverty Reduction and Economic Management Unit, *Combating Corruption In Indonesia*.

these initiatives coercively bind its member states to carry out recommended efforts. Therefore, the implementation of these initiatives still depends on the willingness of countries to adapt or ignore.

IV. ADAPTING THE WORLD BANK INITIATIVES TO BANK INDONESIA'S EFFORTS IN ERADICATING CORRUPTION

Central banks play an important role in modern economies, and public trust is a fundamental component of their performance.⁶⁷ The increased mission of many central banks to ensure broader financial stability, in addition to monetary policy, has rekindled discussion over acceptable degrees of central bank autonomy and responsibility. Regulation and supervision of private financial firms, in particular, have raised concerns about undue influence on central banks and accountability procedures. As a result, anti-corruption efforts at central banks must address political, industry-related, and internal sources of risk that might inhibit their performance and undermine public trust. The initiatives of World Bank as explained above has provided a measured strategies to be adopted by central banks worldwide, including Bank Indonesia. Table below shows to what extent has the Bank Indonesia aligned with initiatives provided by the World Bank.⁶⁸ The information provided is needed to analyse what more can be done, and which sector need reforms. The author will divide discussion into two major sub-headings in measuring the adaptability of Bank Indonesia's efforts to the World Bank initiatives, namely preventive and repressive measures as illustrated below:

⁶⁷ Kohler and Bowra, "Exploring Anti-Corruption"

⁶⁸ Alvedi Sabani, Mohamed H. Farah, and Dian Retno Sari Dewi, "Indonesia in the Spotlight: Combating Corruption through ICT Enabled Governance," *Procedia Computer Science* 161 (2019): 324–32, <https://doi.org/10.1016/j.procs.2019.11.130>.

Table 3.
Adopting the World Bank Initiatives into Bank Indonesia Effort in Controlling Corruption

No	World Bank Alternatives	Measures Conducted by BI	Compliance
Preventive Measure			
1	Project-Based and Sector Based Approach		
	<ul style="list-style-type: none"> a. Strengthening institutional capacity by setting high standards of morality for bank staff b. Reinforce analysis and lending decisions for a country. c. Promoting integrity and transparency in sectoral developments d. Establishing standards based on sectoral capacity and capability 	<ul style="list-style-type: none"> a. Establishing AML-CFT action plan to achieve the goal of BI to balance innovation and integrity of the payment systems. b. Conducting Sectoral Risk Assessment (SRA) to identify, analyse, and evaluating risk associated with AML-CFT c. Taking a Risk-Based Approach (RBA) to identify the risk of AML-CFT and improve the quality of supervision to prevent misuse of BI financial products 	3
2	Media Involvement and Public Awareness		
	<ul style="list-style-type: none"> a. Broaden the participation of media as a tool to increase bank transparency in ensuring public involvement. b. Campaigns focused on measures that the community undertake to help eradicate corruption. 	<ul style="list-style-type: none"> a. Public education regarding Covid-19 financial threats and vulnerabilities to prevent corruption risks. b. Campaign related to the award for whistle-blower by the Governor of Bank Indonesia c. Publishing annual Report of Bank Indonesia through media platforms 	3
3	Technological Advances		
	<ul style="list-style-type: none"> a. Establishing conceptual framework to encourage relevant innovation by the governments in confronting corruption in all sectors. b. Establishing biometric technologies and expanding broader digital inclusion and e-government strategies c. Enacting open data initiatives to increase banks transparency and building data capacity through data production 	<ul style="list-style-type: none"> a. Establishing corruption reporting portal through Whistleblowing System (WBS) in promoting integrity, accountability, and the enforcement of financial violations b. Establishing risk-based supervision with monitoring tools and operational assessments 	2

Table 3.
Adopting the World Bank Initiatives into Bank Indonesia Effort in Controlling Corruption (Continued)

No	World Bank Alternatives	Measures Conducted by BI	Compliance
4	Regulation and Framework a. Enacting guidelines related to best practice regarding the preventive tool for conflict management. b. Enacting guidelines related to whistle-blower protection. c. Enacting framework related to integrity principles and contractual mechanism	a. Enacting technical guidelines to implement risk-based approach, precautionary principles, know-your-customer principles, and good corporate-governance principle. b. Enacting Bank Indonesia Regulation (PBI) No. 19/10/PBI/2017 on the Implementation of Anti-Money Laundering and Countering Terrorism Financing for Non-Bank Payment System Service Providers and Non-Bank Money Changers to eradicate AML-CFT	3
5	Interrelationship collaboration a. Collaboration with integrity bodies such as OECD, OGP, EITI, CoST b. Held international joint effort such as G20 Anticorruption Working Group, the Financial Action Task Force, the UNCAC Conference, and OECD Regional Anti-Corruption groups to address corruption issues	a. Collaboration with the Financial Transaction Reports and Analysis Center (PPATK), the Corruption Eradication Commission (KPK), the Financial Services Authority (OJK), the Indonesian National Police (POLRI), the National Narcotics Agency (BNN), the Ministry of Finance, and other relevant agencies to combat corruption. b. Collaboration with Bank Negara Malaysia (BNM), Bangko Sentral ng Pilipinas(BSP), Bank of Thailand(BoT),Brunei Darussalam Central Bank (BDCB), Central Bank of United Arab Emirates (CBUAE), Monetary Authority of Singapore (MAS), as well as other international institutions. BI is committed to expand anti-corruption cooperation with relevant foreign authorities. c. Become a member of Asia Pacific Group on Money Laundering (APG), The Financial Action Task Force on Money Laundering (FATF)	3

Table 3.
Adopting the World Bank Initiatives into Bank Indonesia Effort in Controlling Corruption (Continued)

No	World Bank Alternatives	Measures Conducted by BI	Compliance
6	Monitoring Efforts		
	a. Data collection globally to analyse progress on international asset recovery. b. Conducting surveys with relevant governmental organisation, NGOs, and household surveys regarding crime victimization surveys	a. Data collection in analyse progress on asset recovery of corruption conducted from BI's funds. b. Conducting surveys with relevant institutions and broad society regarding the BI's performance satisfactory	2
Repressive Measures			
1	Sanctions		
	Imposing sanction by reducing or terminating any financial flow to high corrupted countries	a. Imposing administrative and criminal sanction for corruption and other unlawful act varying from 2 to 20 years prisoned time, with fine maximum 20 billion rupiahs based on types of crime and the amount of state loss (individual actor) b. Imposing administrative sanction for private sectors, national banks, and other relevant financial institution by revocation of licenses for certain institutions or business activities from banks, in accordance with the prevailing laws and regulations	Unmeasurable (The WB imposing sanction to international actors whereas BI imposing sanction to national actors)

Compliance value: 1 (weak), 2 (fair), 3 (strong)

According to the above table, Bank Indonesia has engaged in concrete and measured efforts to eradicate corruption and, ideally, adopt initiatives of the World Bank especially preventive measures. Bank Indonesia has proven to possesses capacity and capability in carrying out initiatives recommended above in the matters of regulatory enforcement, working mechanisms, institutional bodies, external and internal collaboration, and media inclusion. However, this idealistic framework has not been completely implemented, as seen by the numerous corruption scandals that have engulfed the banking industry. The current state of managing corruption in Indonesia is also evidence that even if one institution executes its plan adequately, if it is not reinforced by effective collaboration among other institutions, the result would be inadequate. In addition, another interesting illustrated by the above table is that Bank Indonesia has not optimally presented technology-based public transparency as recommended by the WB and widely practiced in other countries. Bank Indonesia, as the primary pillar in combating corruption, should employ

strenuous measures to ensure a highly transparent organisation. Finally, the use of advanced technology, enhancing public engagement, and strengthening supervision of sectoral-based corruption risk are all aspects that may be addressed in the future.

V. CONCLUDING REMARKS

In summary, the World Bank initiatives emphasise the importance of six major points in an effort to eradicate corruption, controlling corruption through project-based and sector-based approaches, media involvement, technological advances, regulations outlining best practices, interrelationship collaboration, and monitoring efforts. Initiatives developed to provide a standards, rules, and best practices that are adaptable to the legal systems of World Bank's member countries.

The most important aspect of these programs is the involvement of the central bank in ensuring openness and earning public trust. Bank Indonesia, as the major agent of the state for financial stability, has proven to be an ideal institution in implementing World Bank initiatives. Bank Indonesia is working on a plan to eradicate corruption by adopting World Bank initiatives, particularly preventative measures. Bank Indonesia shown immense competence and capability in carrying out our above-mentioned objectives in the areas of regulatory enforcement, working mechanisms, institutional bodies, external and internal collaboration, and media engagement.

Bank Indonesia, on the other hand, should take the most rigorous steps to create a highly transparent organisation by utilizing advanced technology, increasing public participation, and establishing comprehensive collaboration to eliminate corruption risk in all sectors.

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