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Mitigation Measures in Addressing the Risks"*

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Revitalization of Law Enforcement Concerning the Corruption and Money Laundering of Regional Head in Indonesia

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ABSTRACT

The Financial Transactions Reporting and Analysis Center (PPATK) reported that criminal act of corruption is the most dominant. By 2016 the number of analysis results (HA) corruption as much as 221 HA (50.8%). The amount is an increase of 42.65% over the previous year of 155 HA. In order to eradicate corruption, in 2002 the Indonesian government established the Corruption Eradication Commission (KPK). In addition, there is a new phenomenon in the last few years that many corruptor who come from the executive, such as the Governor, Regent and Mayor. In 2016 there were 10 regional heads of committing corruption. Since the establishment of KPK until 2016, there were 18 Governors, and 343 Regents/Mayors entangled corruption cases. The number of regional heads implicated in corruption cases cannot be separated the negative effects of Decentralization / Regional Autonomy and Direct Election Regional Head (PILKADA). One type of criminal act of corruption is an act of bribery. Private entrepreneurs are bribing the head of the region to get a project, business license, special facilities and so forth. In an effort to overcome the criminal act of bribery, the government has issued Law No. 11 of 1980. The results of such corruption and bribery are hidden by means of money laundering. In general, most of the proceeds of corruption to purchase lands, buildings, luxury vehicles with the name of another ownership. To overcome the criminal act of money laundering had been enacted Law Number 8 of 2010 concerning Countermeasure and Eradication of The Criminal Act of Money Laundering (UU TPPU). Therefore, revitalization of law enforcement against corruption and money laundering is an absolute.

Keywords: Corruption, Regional Head, Bribery, Money Laundering.

1. INTRODUCTION

According to Financial Transaction Reports and Analysis Centre or *Pusat Pelaporan dan Analisis Transaksi Keuangan* (PPATK) in 2016, corruption is the most dominant crime with 221 (50,8%) Analysis Result or *Hasil Analisis* (HA). Compared to the previous year, there is an improvement as big as 42.65% or 155 HA. This number shows that corruption in Indonesia increases significantly.

To overcome corruption, in 2002, Indonesian government establishes Corruption Eradication Commission or *Komisi Pemberantasan Korupsi* (KPK) to show the government's seriousness in combating corruption since corruption endangers many sectors including economic, social, and political sectors. Besides, corruption modus operandi is getting more sophisticated and more in numbers, making it more difficult to handle. There is even the so-called *korupsi "berjamaah"* or congregation corruption, *berjamaah* or prayers in congregation, but with a negative connotation. The term "congregation" is taken from *shalat*.

Nowadays, corruption occurs in all segments of society, including legislative, executive, politician, and regional officer. It reaches the higher and more strategic level of society which is actually responsible for combating corruption such as the Supreme Court, Constitutional Court, attorney, courts, and police. This shows that corruption is a serious and dangerous crime for the country, governmental institution, and the society at large. Corruption causes low quality, perishable, and not durable infrastructure and public facility. Meanwhile, in the public service sector, people are charged more with what is called by illegal levies or *Pungutan Liar* (PUNGLI). Recently, the government has established a task force through Presidential Regulation of the Republic of Indonesia no. 87 of 2016 concerning Illegal Levies Eradication Task Force or *Sapu Bersih Pungutan Liar* (SABER PUNGLI) to

eradicate illegal levies in government institutions. PUNGLI is a form of "small scale corruption" which led to the administrative costs of public services so expensive, for example, the cost of the building permit, driving license, business license, identity card or *Kartu Tanda Penduduk* (KTP) and others. During this time it had occurred in almost all sectors of public administration. So the president issued a task force SABER extortion because the action is very detrimental to the public.

To prevent corruption, particularly to handle the crime mentioned, the government establishes Corruption Trial or *Pengadilan Tindak Pidana Korupsi* (TIPIKOR) in each provincial capital. The Authorities of TIPIKOR is to examine, prosecute, and decide the case of 1) corruption; 2) laundering the proceeds of corruption; and/or 3) criminal act which under other laws is defined as corruption.

Corruption, committed by the executives such as governors, regents and mayors, grows in recent years. The number of regional officers committing corruption keeps increasing. In 2016, there are ten regional heads arrested for corruption. From 2002 until 2016, the KPK handles corruption cases committed by eighteen governors and 343 regents/mayors.

2. **METHODOLOGY**
The research method used in this study was socio - legal research and survey papers. Definition and function of socio-legal research is how different methods can be used in researching the law and legal phenomena, and how methodological issues and debates in sociology are relevant to the study of law (Banakar, 2005). Basically, that socio - legal research conceptualized as a social institution which in real terms is associated with other social variables. The usefulness of this research is to find out how the law is implemented and including its enforcement.

In order to understand and analyze a complex problem on corruption and money laundering, this research will use paper survey. In a survey paper, the researcher does not do their own research. Instead the researcher survey of the research literature as the main source of data.

The research data is a secondary legal material which provides an explanation of the primary legal materials, such as the draft law, the results of research or opinion of legal experts (Amirrudin, 2004).

3. **LITERATURE REVIEW**

3.1 **Money Laundering**

The definition and understanding of money laundering are many and varied, but there are also some similarities with that offence in Indonesia. Some understanding of money laundering is as follows. Definition of money laundering in general, is an act which aims to wash and clean the origin of the acquisition of assets of a person of a crime so that the assets changed status, becoming legal tender (Romli, 2014); Like the concept of corruption, there are different definitions of the term "money laundering". All of them in common refers to the legitimatization and the concealment of the origin, source, and identity of the proceeds of crime. The concept of money laundering offence was originated from the United Nations Convention against illicit traffic in narcotic drugs, and psychotropic substances (the Vienna Convention) adopted on 20 December 1998 (Sham, 2006); "...money laundering is the processing of the criminal proceeds to disguise their illegal origin. This process is of critical importance, as it enables the criminal to enjoy the illegal proceeds as legitimate profits and provide funds and financial resources to further criminal activities (Sham, 2006).

Money laundering is a complex process. Several types and ways of money laundering by a regional head in Indonesia is different from abroad. Most of the proceeds of corruption or bribery are stored in the country and used to buy properties such as lands and luxury cars. For example, the property is transferred to the young wife. Some regional heads have new and many wives, some of which involved corruption and money laundering. In order to prevent money laundering by corruptor, the government enacted Law number 15 on Money Laundering called as Undang-undang Tindak Pidana Pencucian Uang (TPPU). As the Australian National Crime Authority reports: such a scheme would take the raw proceeds of crime, held by the offender, maneuver them through a process that would conceal their source and confuse or break the money trail and then return them to the offender legitimised and ready for further safe use. The process can be expressed by reference to three stages: 1) Placement stage; 2) Layering stage; and 3) Integration stage (Sham, 2006).

Money laundering techniques are “innumerable, diverse, complex, subtle, and secret”. They all have three common features: 1) the need to conceal the true ownership and origin of the proceeds; 2) the need to maintain control of the proceeds; and 3) the need to change the form or the identity of the proceeds (Sham, 2006).

According to Financial Action Task Force (FATF), money laundering is defined as the processing of a large number of criminal acts to generate profit for individual or group that carries out the act with the intention to disguise their illegal origin in order to legitimize the ill gotten gains of crime. Any crime that generates significant profit extortion, drug trafficking, arms smuggling and some kind of white collar crime may create a „need“ for money laundering (Vaithilingam, 2007).

According to Ologbenla (2007) discusses three Nigerian monsters: leadership, governance, and corruption, all connected by the ability to launder money. FATF (2011) reports on a number of cases where political leadership results in corruption and money laundering....that Nigeria’s economic problems are grounded in the endemic level of political corruption (Markovska, 2015). The danger of corruption and the reason why corruption should be considered a state crime is that it leads to excruciating poverty, mass illiteracy and mass unemployment, that could motivate vulnerable youths and young persons into insurgent activities (Markovska, 2015).

“The term „money laundering“ in South African criminal law currently refers to a number of different offences that can be committed in terms of the Prevention of Organised Crime Act 121 of 1998 (POCA). The concept also overlaps with certain common law offences (for instance fraud, forgery and uttering) and statutory offences (for instance corruption)(de Koker, 2002).

The existence of corrupt government officials boosts the organized crime, and, therefore, increases the money laundering. Due to the existence of corruption in the public sector, all the coercive policies, implemented by the international organization, may be innocuous. We suppose that there is a corrupt official with the task to make surveillance on the anti money laundry regulation. Characteristically, this official is a worker in the government institution, responsible for the sector and/or the federal department for crime (Mendes, 2013); There is a relationship between corruption and political party that corruption is a known phenomenon in Greece, taking place in the state and funding of political parties. Political party financing can distort the electoral process and is a major motive for corruption both developed and developing countries. Revenues of political parties can be collected from individual citizens, party membership dues, lobby groups, professional organizations, bank loans, companies and public subsidies (Repousis,2014); Money laundering is a technique designed to make illicit acquisitive gains appear legitimate, usually by disguising the property’s illegal provenance. Illicit gains are converted to a less suspicious form of property to conceal its criminal origin and to fabricate a plausible, legitimate source (Simser, 2006).

There are several steps involved in money laundering. “Placement” introduces proceeds of crime into the legitimate financial system. The simplest placement method is to deposit funds in a bank account. To layer is to distance the money from an illicit source. Funds are moved around: from bank to bank, from entity to entity, and from jurisdiction to jurisdiction. Nominees, trust and front companies are often used in layering, as are purchases of securities and the co-mingling of accounts. (Simser, 2006).

Money laundering disguises the proceeds of unlawful activity. The Philippine Act defines what “unlawful activity” means through a list of predicate offences, ranging from drugs and *jueteng* (gambling – a version of the numbers racket) through to kidnapping, swindling and corruption. There are three specific money laundering offences: transacting with proceeds, facilitating money laundering and failing to disclose to AMLC covered and suspicious financial transactions (Simser, 2006); On many occasions, money laundering schemes are inextricably linked to corruption whereby the latter is utilised either as “a means to an end itself”. The foregoing linkage was recognized by the studies carried out by the World Bank, Asian Development Bank, and United Nations Global Compact which have correlated a close connection between money laundering and corruption (FATF Paper, 2009). In his report concerning money laundering and corruption (1999), Diekman defines the foregoing offences as elements of economic crimes (Mugarura, 2016); Corruption is regarded as the misuse of public offices with the intention of achieving personal gain, and it constitutes a distortion of the governing structure of a country (Mugarura, 2016); The most common form of corruption which also involves money laundering is

bribery – it is used as a means to facilitate placement of illicit proceeds of crime into the financial system. In bribery, there is a giver and receiver of the bribe whereby one person provides a bribe in the form of either present, monetary gains or other forms of advantages to the person taking the bribe against the performance of acts or alternatively the omissions of such acts in the course of the latter's official duties. The bribe giver and receiver could either be an official or an institution of government such as the Police in some countries (Mugarura, 2016).

3.2 Decentralization and Regional Autonomy

The implementation of decentralization, according to Suwondo (2010) decentralization does not change the authoritarian system in a democracy. In fact, decentralization triggers the authoritarian regional head, street politician, and uncontrolled military/illegal troop. Sobari states that decentralization has given new impetus to the progress of the region although there are negative impacts such as corruption and money laundering (Sobari, 2005).

4. RESULTS AND DISCUSSION

4.1 Deviant Regional Autonomy Encourages Corruption

Corruption committed by regional heads reflects the unsuccessful implementation of regional autonomy. The meaning and purpose of regional autonomy have been misinterpreted. The law stresses the meaning of regional autonomy in article 1 paragraph 5 which states that regional autonomy is the right, authority and responsibility of the region to organize and manage their own governmental affairs and regional interests in accordance with the legislation.

All this time, the implementation of regional autonomy creates a dominant power of regional head, politically or economically. Corruption committed by the regional head occurs in regions with huge potential of natural resources. The crime is committed in any business step, from business license processing to exploration. Some companies bribe the government officer to get business or exploration license. According to law expert that corruption is now known as an extraordinary crime originated from acts of bribery that have set up in the context of Direct Regional Election or *Pemilihan Kepala Daerah* (PILKADA) *Langsung* is counter productive with the development program. Nowadays, a good bribery in the Law number 11 of 1980 on the Crime of Bribery (Romli, 2014).

In fact, regional autonomy in the context of Direct Regional Election or *Pemilihan Kepala Daerah* (PILKADA) *Langsung* is counter productive with the development program. Nowadays, a good leader can be defeated by candidate/competitor which has a bad reputation but has the ability to finance big campaign, including to commit „money politic“. Money politics is a major issue; it is actually an excess of the direct election process. The transition locus money politics of the parliament (formerly elect regional heads) to political parties (which became the only door to be candidates). This condition raises some concerns. The elected regional heads will then concentrate more on return on capital/loan than to build the area it represents (Dede, 2008). As Suwondo (2010) states that regional autonomy policies especially the ones related to the direct regional election cannot guarantee the quality of the leader. Visionary and good political figure may not win the election only because this figure is not popular and cannot create political intrigue.

4.2 Direct Regional Election or *Pemilihan Kepala Daerah* (PILKADA) *Langsung*

Direct regional election (PILKADA) *Langsung* has been implemented since 2005. PILKADA is conducted to create democratic climate by electing the regional heads directly. The legal basis of PILKADA is the Law No. 32 of 2004 concerning regional government and Government Regulation No. 6 of 2005 concerning election, ratification, appointment, and dismissal of Regional Head and Deputy Regional Head. However, in practice, as mentioned in Kaloh (2007) there are many things which are not in accordance with the purpose of democracy, including negative excess such as anarchy or what is called by „democracy“, a practice of democracy oriented to the interest of personal, group, and party by justifying any means to gain power.

Basically Election is exploited for personal/group/class/political party gain which makes the main purpose of democratic PILKADA is not fulfilled. In the other hand, there are symptoms which are contrary to the purpose of democracy including building family political force or party.

As the impact of this direct *PILKADA*, there occur little „kingdoms“ with their „kings“. Several regional heads come from one family; the previous regional head was the father for two terms or ten years and the son in the next term. For example, in Banten Province, positions of region heads from Regents/Mayors to Governor are held by a family. Since Banten Governor is imprisoned and the new Governor for 2017-2022 is her son. In Klaten Regency, Central Java, the Regent position was alternately held for twenty years by husband and wife, who are now defendants. Meanwhile, the Regent has been arrested by KPK since the beginning of January 2017 due to selling offices. Before them, the former Regent is imprisoned due to corruption. These „little kingdoms“ occur in almost all regions. This shows that the implementation of decentralization, Regional Autonomy, and *PILKADA*, which is not in accordance with the regulation, may lead to corruption committed by the regional head.

Generally, to preserve power, many regional heads commit corruption and money laundering to finance the next *PILKADA* campaign with the high political cost for themselves or their successor from their own family. Besides, to be promoted, the candidate of the regional head must pay „dowry“ to the political party. The definition of „dowry“ – taken from marriage term – is a euphemism for any cost paid by the candidate to the political party. Candidate must be supported by parties, particularly big party with seats in the Regional Representative Council or *Dewan Perwakilan Rakyat Daerah* (DPRD). In *PILKADA*, there can be the an independent candidate with no supporting party, but the candidate usually lost the *PILKADA*.

Besides, in administrative and bureaucracy processes, the coordination process between the Regent / Mayor and Governor usually does not run smoothly because the Regent/Mayor assumes that they were not appointed by the Governor but directly by the people. Therefore, there are often policies or regulations which contradict each other. This is one of the impacts in Regional Autonomy, which is considered completely autonomous by most Regent/Mayor.

4.3 Cases of Corruption and Money Laundering Mode 10 Regional Heads in 2016

Corruption conducted by regional head has increased. According to the KPK, there were 10 regional heads involved in corruption in 2016. In general, the regional head caught in corruption as the abuse of authority with budget management, regional asset, and misuse of licenses. In addition, there is regional head involved in bribery. The cases above show that many regional heads who do not carry out its policies in accordance with the laws of Decentralization and Regional Autonomy.

Regional head candidates who will participate in *PILKADA* should have the support of at least one political party, especially those that have many representatives or called as *Kursi* in Regional Representative Council (DPRD). In fact a candidate for governor, regent or mayor should supported by many political parties.

In principle, a political party is the vehicle of a candidate's regional head. Another fact that of the 10 accused of corruption who 9 of them are members or leaders of the political party. Only one regional head is not of a political party, but she is the wife of the former mayor of Cimahi city. This shows that the relationship and the role of the party are very strong and dominant. If the prospective governors, regents and mayors want to participate *PILKADA*, then they must be supported by political parties. To get the support of a party, they have to pay a lot of dowries. Consequently, there are many regional heads, corrupt because they have to contribute materially to the party or refund the political costs. Party is the main political vehicle of candidate regional head. This is why the elected regional heads have to include prioritizing party interests than the public as constituents.

The regional head involved in corruption cases in 2016 is as follows: 1). Subang Regent, West Java province. He bribed two West Java High Court Prosecutor amounted to IDR 528 million for BPJS corruption cases in 2014. In addition, Subang Regent involved in money laundering. The KPK arrested him and his wife because his wife was involved abuse of authority. This case shows that corruption has been strong and in collaboration with his wife or her husband. These criminal acts of corruption as much done by the regional heads, for example by regent Klaten and her husband, the governor of North Sumatra, with his second wife, the governor of Banten with his brothers and sisters. These illustrate political dynasties. „state within a state“, or small kingdoms; 2) Rokan Hulu Regent, Riau Province, convicted of bribery on draft Regional Government Budget or *Rencana Anggaran Pendapatan dan Belanja Daerah* (APBD) in 2014 and 2015 additional to the proposed budget; 3) Southeast Sulawesi Governor suspected cases of alleged corruption issuance of a mining permit (*Ijin Usaha Pertambangan*)

in Buton and Bombana regency in 2009-2014. The amount of money in the accounts of the defendant amounted to 4.5 million USD were transferred by businessmen from Taiwan. Allegedly he committed an abuse of authority and issued a Governor Decree or *Surat Keputusan Gubernur* (SK) which is not in accordance with the higher laws. The KPK ensnare defendant with Article 2 paragraph (1) or Article 3 to Law number 20 of 2001 on Corruption Eradication in conjunction with Article 55 paragraph 1 of the Criminal Code; 4) Banyu Asin Regent, South of Sumatera province alleged corruption suspects bribery related to planning, budgeting and implementation of procurement of goods and services in the Department of Education and other agencies; 5) Madiun Regent, East Java province, involved the construction of the big market gratification; 6) Tanggamus Regent, Lampung province, involved bribery of legislators; 7) Sabu Raijua Regent, East Nusa Tenggara, involved bribery Chairman of Constitutional Court of 1 program; 8) Buton Regent, Southeast Sulawesi, involved bribery Chairmen of Constitutional Court of 1 billion. It is an example of major cases conducted by the head of state institutions which responsible for enforcing the law and combating corruption. This case clearly shows that the crime of corruption and money laundering have penetrated all levels The combination of "corruption-money laundering" in the country today are widespread and involve family. According to Theo Fransus Litaay, Chairman of Anticorruption Study Center and Good Governance (SFAS), Christian University Satya Wacana (UKSW) Salatiga, Central Java province, it can be seen in the bribery case of former Chairman of Constitutional Court, Akil Mochtar; 9) Cimahi Mayor, West Java Province, she was charged with receiving gratuities from contractors of market development. She collaborated with her husband, a former Mayor of the period 2002 -2012. The KPK also dismantle political dynasty in Cimahi led by husband and wife for 15 years; 10) Nganjuk Regent, East Java province, KPK also ensnares the regent in two cases, namely the alleged corruption related to the development of projects in Nganjuk and gratification. He was charged under Article 12 letter i and Article 12B of Law No. 31 of 1999 as amended by Act No. 20 of 2001 on the Eradication of Corruption (TIPIKOR). The KPK also charged he received a gratuity, as the Nganjuk Regent during his two periods 2008-2013 and 2013-2018.

5.0 CONCLUSION

Corruption by the regional heads increases from time to time. Most of the offence caused by *PILKADA* which is to cover the large cost of *PILKADA* such as political campaign budget, dowry cost and money politics. Similarly, money laundering more complex and not easily tracked by a law enforcer. In general, money laundering mode of the regional head is buying property, such as lands, buildings and luxury cars using other proprietary names such as wife/husband / son/brother / sister/parent and friend. Money laundering in overseas bank rarely done by the corruptor.

Implementation of decentralization and regional autonomy inconsistent with the laws and has provided opportunities for the criminal act of corruption. The regional heads make local regulations or *Peraturan Daerah (PERDA)* that are not in accordance with the higher laws, such as regulations governor. There are *PERDA* that contradict with each other. The legislation, for example on natural resources, perceived differently by many heads of regions that natural resources are fully reserved and intended for local revenue. Local regulations made for the personal benefit of regional heads, for example by getting gratification or bribes from businessmen or investors.

Therefore, revitalization of law enforcement is absolute because the amount of corruption and money laundering continue to multiply. Law enforcement agencies such as KPK and PPATK need to be strengthened to handle two types of complicated crimes. Moreover, the issue of corruption and money laundering by the regional head is heavily influenced by political factors. Most of the regional head is a member of the party or the leader of a political party. As a result, the Commission often faces the problem of handling corruption, and money laundering is very complicated because of the interference of political actors

Based on the research that besides a strong law enforcement is also necessary to change the mental attitude and the way of thinking of society. Most regional heads involved in corruption and money laundering do not have good leadership, in accordance with its responsibilities to society as constituents. They are in a transitional position, selling the business license and lots of income. Cases of corruption among other, selling the business license and the like. They also accepted bribes from businessmen, contractors, investors and others. In addition, there are three regional heads, which KPK arrested for bribery because they bribe law enforcement in order to escape from the charges

or punishment.

In the case of corruption and money laundering in part, the defendant chooses punishment rather than return the proceeds of corruption. Some accused of corruption choose punishment than returning the proceeds of corruption. The consideration after completion punishment the money corruption remains. The process of confiscation of corruption is still very difficult to do by law enforcement. Also shows the mental attitude of people who feel that being accused of corruption or imprisoned is something normal.

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