

BUMN, Politics, and Corruption in the Reformasi Era: A Political Economy Reflection

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Abstract: BUMN (State-Owned Enterprises-SOEs) is a pillar of the strength of the national economy. But in the reform era after President BJ Habibie, it must be recognized that the existing SOEs, including Bank Mandiri, Pertamina, Indosat, Telkom, and so on, have become spoiled or seized by political forces (political parties). BUMN reform and democratization era faces the problem of corruption. In the reform era, political competition found 'its reincarnation' on fertile land,' namely SOEs and bureaucracy with the aim of seizing publicly available political-economic resources. As a result, almost all SOEs continue to be in the public spotlight as a result of experiencing secret politicization (secret) by the ruling parties in the government since the Gus Dur-Megawati era and the Mega-Hamzah coalition up to the SBY-Boediono and Joko Widodo-Jusuf Kalla era. SOEs should be managed professionally and kept away from politicization, but the political reality speaks differently. SOEs continue to be "plunder" political parties that place their people in these publicly-owned enterprises. BUMN is the target of corruption by its directors who deliberately violate the principles of the Business Management Rule for personal or group benefit. These problems and challenges must be solved by civil society and the state if the BUMN wants to develop as a strong, credible, and advanced state corporation for the benefit of the people.

1 INTRODUCTION

The Indonesian BUMN (State-Owned Enterprises-SOEs) performance must continue to be highlighted and criticized because there are indications that SOEs are spoiled by politicians and political parties in power.

In fact, in the era of President Joko Widodo, SOEs Minister Rini M Soemarno once threw a discourse to make SOEs super holding, like Singapore's Temasek or Malaysia's Khazanah (Kompas, 2016)

Along with the establishment of SOEs super holding, Rini said she would remove the SOE Ministry. Rini's statement instantly invited the reaction of the DPR and economists as well as being controversial. If we look at the legal umbrella, the Ministry of BUMN can indeed be dissolved. Because according to Law Number 39 the Year 2008, there are only three ministries that cannot be dissolved, namely the Ministry of the Interior, the Ministry of Foreign Affairs, and the Ministry of Defense.(Kompas, 2016)

But the statement of State Minister for State Enterprises Rini could clearly upset various circles. The lack of a clear vision of the State Minister for

State Enterprises Rini created chaos in the relations system. It is not clear how the relationship between SOE management and shareholders is and who the SOE shareholder is, the state, or the government. This must be addressed first. As long as the shareholders are not right, SOEs will always be wrong forever.

2 DISCUSSION

The Corruption Criminal Act (UU Tindak pidana korupsi-UU Tipikor) emphasizes that state finances are state assets in any form, separated / not separated, including all parts of state assets, rights, and obligations. The provisions stipulate that as long as there is a real loss (actual loss) to SOEs, then it is considered to have harmed state finances. Directors can be held accountable and can be charged with committing criminal acts of corruption.

In this case, considering that BUMN is not only a state organizer, it is also an economic and market participant, which has the function and duty to provide welfare for the community, then it does not necessarily become an absolute element for a BUMN

Director who has made policies that do not benefit SOE corporations This can be considered as making a loss to the state

Although "Business Judgment Rule" and "good corporate governance" have been enforced, there has been widespread corruption in SOEs, where a number of SOEs have been gnawed by corruption and suffered huge losses, making SOEs in the spotlight of civil society and the media in terms of performance and BUMN performance in our country.

According to Azyumardi Azra, it is certain that corruption is one of the main problems facing the nation-state and the Indonesian government in particular. For 20 years, Indonesia has experienced democratization, which can be a way to create good governance. However, there are no signs that corruption will decrease significantly. According to The Borgen Project records, in 2018, corruption in Indonesia will cost the country 401.45 million US dollars. That figure is down 55.4 million US dollars compared to 2017, one of them thanks to the KPK's steps to arrest public officials and private parties through arrest operations (Kompas, 8 Agustus 2019).

SOEs have so far claimed to have carried out reforms and strategic changes by adapting to the structure and culture of the organization, with organizational improvement primarily linked to a fundamental overhaul of organizational structures that are able to adapt and adopt innovations that emerge from the external environment (Fitiningrum, 2006)

Reforms in SOEs are in line with the government's steps to reform the state administration, which not only improves the organizational structure but also includes improving the behavior of the people involved in it. Jose V. Abueva, stated that the reform of state administration is an emphasis on changes in institutional and behavioral aspects (Caidan, 1991)

It must be admitted, in the current era of reform and democracy, one of the business sectors that has been caught in a network of corruption is BUMN. State-Owned Enterprises (SOEs) have again become a field of corruption for high-ranking officials. The Corruption Eradication Commission (KPK) has named PT PAL President Director Muhammad Firmansyah Arifin as a suspect receiving bribes related to the sale of ships to the Philippines.

In addition to Firmansyah, the KPK also set PT PAL Treasury General Manager Arif Cahyana and PT PAL Finance Director Saiful Anwar as suspects in the same case. This case seems to make a long list of SOE officials caught in the vortex of high-level bribery cases involving cross-border states. While the arrest

of PT Angkasa Pura II Finance Director Andra Y Agussalam in the OTT held by the KPK further increased the length of BUMN officials involved in corruption, this case has happened for the umpteenth time since Rini Soemarno has served as Minister of BUMN since 2014. Andra received nearly Rp1 billion in money to smooth the project designation at PT Industri Telekomunikasi Indonesia or PT INTI (Persero). The party who gave the money named Taswin Nur noted he was only as staff at PT INTI. However, the KPK believes there are officials behind Taswin.

Previously, the directors of state-owned enterprises that have assumed the status of corruption suspects and handled by the KPK include: Emirsyah Satar (former Director of Garuda Indonesia), RJ Lino (former Director of PT Pelindo II), Managing Director of PT PAL Indonesia Firmansyah Arifin, Managing Director of PLN Sofyan Basir and Managing Director PT Asuransi Jasindo Budi Tjahjono and so on .. This bad record seems to ordain, governance and supervision are still not in order within our SOE. In addition, this bad report card also seems to indicate that this country is still unable to learn from previous experience. So, the number of BUMN officials caught in bribery cases, does this really emphasize that SOEs are indeed a field of corruption? If it is true, what is the effort to improve governance and oversight of officials in the SOE environment? What exactly is the root cause of all this?

It is feared that corruption in SOEs has become entrenched, as is corruption in the executive, legislative, and judiciary institutions, and it is like a scourge that worries and scares the public. In the New Order era, SOEs were characterized by chronic corruption, and in the reform era, SOEs became a cash cow and a severe arena of structural corruption.

In 2018, ICW revealed that there was a state loss of Rp 1.3 trillion from corruption cases that occurred in 19 BUMNs in Indonesia. Corruption caused the loss of 24 state-owned enterprises in the first semester of 2017, then in 2018 and 2019. In terms of state losses, corruption in state-owned enterprises was the most detrimental to the state, with Rp 3.1 trillion from 19 corruption cases. Corruption in SOEs even ensnared the highest operational position in SOEs, namely the president director (president). On July 1, 2019, the president director of BUMN Perum Jasa Tirta II was named a suspect and banned from going abroad (Beritasatu, 2019)

In another case, in the era of President Joko Widodo, PT Krakatau Steel (KRAS Persero) Tbk. Must suffer a net loss of US \$ 320.02 million

equivalent to Rp4.41 trillion (exchange rate of Rp13,795 per US dollar) in 2015, swelling 117% of the 2014 loss in the era of President Susilo Bambang Yudhoyono (SBY) around the US \$ 147.11 million. Based on the company's financial report (12/3/2016), it was mentioned that the revenue of the issuer with the KRAS share code also collapsed 29.28% to the US \$ 1.32 billion from the previous US \$ 1.86 billion. Krakatau Steel's (KRAS) operating loss in 2015 sharply swelled 160.5% to the US \$ 183.54 million from the US \$ 70.85 million. However, the performance was helped by skyrocketing foreign exchange gains of 995% to the US \$ 52.18 million from the US \$ 4.7 million. However, the loss before tax KRAS still swelled 78.9% to the US \$ 327.45 million from the US \$ 182.98 million. The current year's loss also swelled 111.76% to the US \$ 326.51 million from the previous US \$ 154.18 million. (Harian Bisnis Indonesia dan Kompas, 2016)

Related to the issue of corruption, in 2018, the Corruption Eradication Commission (KPK) set the State-Owned Enterprises (SOE) company PT Nindya Karya and the private company PT Tuah Sejati as suspects in suspected criminal acts of corruption. Both state-owned companies became suspects in the alleged development corruption Unloaded piers in the Aceh Sabang Free Trade Zone and Free Port area financed by the 2006-2011 National Budget.

This alleged corruption resulted in state losses of around Rp313 billion. "As part of efforts to maximize asset recovery, investigators have blocked PT NK accounts with a value of around Rp44 billion," said KPK spokesman Febri Diansyah. The money in the account was transferred to the KPK holding account for the purpose of handling the case.

Regionally-owned enterprises (BUMD) throughout Indonesia had assets of Rp343.118 trillion in 2011. Of these, around Rp310.716 trillion (90.6 percent) were still controlled by the Regional Development Bank (BPD). 10% average BUMN profit to total state revenue while the average BUMN profit to the PNPB ratio is 10%.

The government has annually provided a subsidy of Rp 1,600 trillion, and there is also the participation of state capital for SOEs of Rp 10 trillion (statement VII Member of the Supreme Audit Board (BPK), Bahrullah Akbar 28 October 2013). There are a number of cases of indications of corruption in 16 SOEs that have the potential to cause state losses of Rp2.63 trillion and the US \$ 9.97 million, which was reported by the Ministry of SOEs in March 2005. Based on data from the Office of the State Minister of SOEs (2005), indications of alleged corruption occurred in 16 BUMN, namely: BRI, Indofarma,

PGN, PT Angkasa Pura I, PT Jakarta International Container Terminal, PT Pelindo III, PT Pupuk Kaltim Tbk, PT Sungai Sungai and Crossing Transportation, PLN, PT Asuransi Jiwasraya, PT Djakarta Lloyd, PT Pelindo II, PT Rajawali Nusantara Indonesia (RNI). Of the 16 SOEs, the four SOEs are no longer listed in the final list, namely: RRI, TVRI, Bank Mandiri, and BNI. The reason is that the BNI and Mandiri cases have been transferred to the AGO. So that the remaining 12 SOEs will be increased by one, namely PT JICT. In total, there were 13 corruption cases in 2005 alone.

In practice, many BUMNs have suffered losses, and the proof is that in the Jokowi era 2014-2019, there were 24 companies under the auspices of the Ministry of State-Owned Enterprises (BUMN) suffered losses. SOE Minister Rini Soemarno failed, and Jokowi's image was hit with a crucial impact because the failure of the BUMN Minister tarnished the credibility of the Jokowi government.

SOEs Minister Rini Soemarno is considered the most responsible person for the losses experienced by 24 state-owned companies. Rini was urged to resign because she was considered a failure to lead the Ministry of SOEs.

Analysts assess, Rini failed to foster and improve the performance of SOEs, causing losses to 24 state-owned enterprises in the first semester of 2017, then in 2018 and 2019. The loss of 24 BUMNs in the first semester of 2017 amounted to Rp 5.852 trillion. This indicates that there has been a failure in fostering the minister of BUMN. "So we urge State Minister for State-Owned Enterprises Rini Soemarno legowo to resign," said Chairperson of the Executive Board of the Indonesian Muslim Students Federation (FEMMI) Abdullah Amas in his demonstration protesting State-Owned Enterprises Minister Rini Soemarno in Jakarta. (Konfrontasi.com, 2019)

It must be admitted, in the era of President Jokowi, the concept of forming a super holding Minister for State-Owned Enterprises (BUMN) Rini Mariani Soemarno is unclear.

At least Rini's two plans have no clear vision. First, the acquisition of PT Perusahaan Gas Negara (Persero) Tbk by PT Pertamina (Persero). And second, the consolidation of Islamic banking.

In the case of PGN, PGN, which has gone public, is relatively more open, transparent, and can be monitored, compared to Pertamina, which in the past had a dark record indicated by the oil and gas mafia. Although Pertamina's subsidiary, Petral, has been liquidated, various groups find it strange that PGN must be annexed by Pertamina. If the goal is the synergy of energy SOEs, then the NUMN State

Minister should only issue regulations for the gas industry. Because the two SOEs also already have their own gas infrastructure. Regarding BUMN banking holding plans, it is odd that only Islamic banking will be consolidated. In fact, the Islamic banking market share is only two percent of the total banking market.

Faisal Basri reminded that there is an oil and gas mafia in Pertamina because it has not yet gone public, so it is easy to be looted. However, PGN is more difficult to loot because it went public. (Kompas, 2016)

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Seeing the KRAS phenomenon above, there is no need to be surprised and surprised. Because in this reform era, as if history repeats itself, the political grip of Suharto's New Order era, has again occurred in the reform era. Both the era of President Gus Dur and President Megawati Sukarnoputri, even up to the era of SBY-Boediono to Joko Widodo now.

In the post-BJ BJ Habibie era, it must be acknowledged that the existing SOEs, including Bank Mandiri, Pertamina, Indosat, Telkom, and so on, have become a struggle for political forces. The political-economic competition found "reincarnation" infertile land, namely BUMN and bureaucracy such as Bank Mandiri, Social Security, BNI, Telkom, BNI, Indosat, and so on. (Herdi Sahrasad dan Al Chaidar, 2000).

As a large SOE, Bank Mandiri and almost all SOEs continue to be in the public spotlight due to the secret politicization (secret) by the ruling parties in

the government of Gus Dur-Megawati and the Mega-Hamzah coalition until the SBY-Boediono era.

In the eyes of the grassroots who have been victims of the actions and rivalry of the political and economic elite to date, widespread the notion that the hostile political elites and economic elites, conglomerates, and state elites whose KKN, along with their ranks seem unwilling to assume responsibility. They seem comfortable in the upper layers of the Indonesian political economy pyramid without feeling guilty. While the corruptors and officials who break the law seem untouchable and too much power. While law enforcement is not carried out firmly and impartially, it even seems that the rule of law promised by the ruling government is only at the stage of rhetoric. (Herdi Sahrasad, 2001).

In the era of Gus Dur and Mega-Hamzah, politicians from the Indonesian Democratic Party of Struggle, the Golkar Party, PAN, PKB, PPP and so on, in coalition or competition, competed for important positions with SOEs, including at Bank Mandiri, which was the subject of this book. Parties put "people" in wet institutions where Gus Dur, President Megawati PDI-P, PAN, PKB, and the Golkar Party, as influential political forces, tried to accommodate conflicting aspirations, by building on principles " mutual understanding "through compromise commonly known as" cattle trade politics." (Herdi Sahrasad, 2001)

Some of the state-owned enterprises were losing money and being corrupt. While the absence of a strong vision makes it difficult for state-owned enterprises to progress because there is no clear direction to go to. In addition to being too numerous, SOEs are also scattered, inefficient, and become cash cows for every ruling government.

The absence of a vision and concept agreed upon with all elements of the Indonesian nation has made the management of state-owned enterprises (BUMN) never independent and professional, always in the bondage of power relations that hinder and damage performance. (This opinion was raised in a discussion held by the Public Policy Observer Institute (LPKP) in Jakarta, (23/3/2005). The discussion themed "Highlighting the Performance of SOEs as Business Entities" presented speakers at the University of Indonesia Faculty of Economics (FE) lecturer Faisal Basri MA, FE Gadjah Mada University Revisond Baswir MBA lecturer, and DPR member Dradjad Wibowo Ph.D)

We do not have a concept that is mutually agreed upon. As a result, any step taken by every government in power over SOEs will always be blamed.

While the absence of this vision is biased, whether SOEs are owned by the state or the government in power. It should refer to its name, BUMN is the property of the state. However, in reality, BUMN is controlled by the ruling government. As a result, each time it changes, the new authority will also replace the directors and commissioners of the BUMN.

The absence of this vision creates chaos in the relations system. It is not clear how the relationship between SOE management and shareholders is and who the SOE shareholder is the state, or the government. This must be addressed first. As long as the shareholders are not right, SOEs will always be wrong forever.

There was an error in approaching assessing the performance of SOEs so far, namely when the performance of SOEs was assessed with a neoliberal approach, a paradigm that has nothing to do with the paradigm of economic democracy (Article 33 of the 1945 Constitution) that underlies the establishment of SOEs.

According to Kompas notes, in 2003, 10 SOEs dominated the total losses suffered by state-owned companies under the SOE State Ministry. Of the 157 existing SOEs, as many as 47 SOEs suffered losses, with a total loss of Rp 6.08 trillion. Of the total loss, 84.4 percent of them or Rp 5.13 trillion came from 10 SOEs alone.

The ten SOEs that dominated the total losses were PLN with losses of Rp 3.558 trillion or 58.52 percent of the total losses of 47 BUMN. Following the Indonesian Trading Company with a loss of Rp 418,224 billion, Pelni Rp 382,336 billion, PANN Multifinance Rp 152,258 billion, Indofarma Rp 129,570 billion, Nusantara Clothing Industry Rp 114.777 billion, Aceh Kraft Paper Rp 108.444 billion, PT Perkebunan Nusantara II Rp 96.166 billion, Inhutani I Rp. 90,972 billion, and Cipto Mangunkusumo (Prognosa) Hospital Rp. 81,221 billion.

Some BUMN has been privatized. However, corruption also hit the privatization program. In the matter of privatization (remember the case of Indosat, BCA, Telkom, and so on), according to IMF and World Bank recommendations - acute corruption is expected. According to economist Nobel prize winner Joseph Stiglitz, privatization in Southeast Asia, especially Indonesia, turned out to be generally wrong and inconsequential, malpractice, and miserable people. In the case of privatization, the scent of KKN has stung the executive and legislative branches. Even though the divestment was carried out neatly, and the KKN actions were attempted to be hidden, it still felt the stench of our people. This

privatization deserves to be questioned-questionable because of the climate of corruption-collusion-nepotism and the absence of transparency that is still strong, covering the landscape of the Habibie-Gus Dur-Megawati administration in the past.

Privatization can only work well in a conducive business and political climate, where good governance with elements of transparency and accountability and honesty can be proven. As Joseph Stiglitz said, privatization in the midst of a corrupt government environment, as in the past President Habibie-Gus Dur-Megawati era, would only increase the personal income of officials and elites who were powerful.

Instead of increasing efficiency and improving management quality, privatization in the midst of a corrupt government environment only adds to the problems and burdens for the people. Stiglitz once revealed: "I believe in privatization, but only if it helps companies become more efficient and lower prices for consumers."

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