



## INNOVATIONS FOR SUCCESSFUL SOCIETIES

AN INITIATIVE OF  
THE WOODROW WILSON SCHOOL OF PUBLIC AND INTERNATIONAL AFFAIRS  
AND THE BOBST CENTER FOR PEACE AND JUSTICE

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Series: Civil Service

Interview no.: EX 1

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Date of Interview: 29 March 2012

Location: Washington DC, United States of America

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WIDNER: Thank you. When you first entered office in 2005 you convened a meeting with top managers at the Ministry of Finance and we wondered whether you could tell us a little more about that meeting, offer a few more details? I think some people had indicated that at the time they felt this program was enormous, how could they possibly do all this. I wonder if you could remember what kinds of issues elicited concern and what arguments you used to try to persuade people that this was the right thing to do?

MULYANI: *Well I assume this is referring to the meeting when we started discussing budget reform, or we call it 'reformasi' in Indonesia. Yes, it was a meeting that was among the first meetings I had with all of the top echelon of the Ministry of Finance. Some of them have already passed away now. I think the setting of the discussion was first in understanding the idea of the concept of reform. Indonesia, don't forget, in 2005, this is already seven years since reformasi. The word reformasi is very popular in Indonesia—that is toppling or changing the Suharto regime into a new era of Indonesia in which governance and anti-corruption has become the most important what you call a symbol of change for marking the new era for Indonesia.*

*That momentum was there. I think one of your questions regarding the KPK (Corruption Eradication Commission) and so on, it is really that narrow, very narrow small opportunity when Suharto stepped down, it opening the opportunity to changes. Indonesian people regardless their political party affiliation, religious ethnicity, background, military, civilian, they were all thinking that we're fed up with corruption. We want to have a new government to be established or built in Indonesia based on a good governance, transparent, accountable, checks and balances, and of course an anti-corrupt regime.*

*So with that kind of sentiment, and at that moment the parliamentary was so weak politically because they were perceived in Soeharto's time as just a rubber stamp, that was the opportunity to be able to passed the KPK law, which in any country this is going to be very exceptional achievement, because the authority or the power of the KPK is so big and strong. You won't be able to have (pass) that kind of law if were drafting the same law today.*

*That kind of sentiment still continued until the new government elected, that is the new democratically-elected SBY (Susilo Bambang Yudhoyono) and that is also the motivation for me to at least introduce or translate this idea of reform at the Ministry of Finance.*

*The discussion was really based on what do we mean by reform. I think—I tried to simplify by saying that we don't have the trust from the public to us both individually as 'pejabat,' that is an official, as well as to the institution. Reform means we can build trust and the trust of the public to the institution like us will be only achieved if we can perform the function, if we are accountable, and if we are transparent. As I said in the interview before I don't have to introduce this idea because the Ministry of Finance already has a vision, mission, and strategy at that time which is actually articulating the same value or objectives.*

*So I actually tried to translate the idea of reform or the vision mission, which is already outlined by them, uniquely if you can call it that way. The Ministry of Finance was forced to change because of the 1997-98 financial crisis. They adopted a series of new law—state finance law, the accountability and disclosure law, the independent auditing law—which based on them, they created a governance framework for the Ministry of Finance, or changed fundamentally the*

*way they have to manage the state finance. But by 2004 they are at the critical stage of implementing this law with the spirit of openness, accountability, and transparency. And this created the difficulty of translating this reform idea in to reality.*

*So the discussion at that very moment is really discussing what does it mean having reformasi in our institution—what we tried to achieve. We started with this public trust and said, “Why is it that people cannot trust us, why do they disrespect us or why they becomes very cynical to us?” Then they said, “Well you know—” because we are corrupt, we are not performing. An Indonesian daily joke is actually for the public servant: that their job is if things can be made difficult, why do you have to make it easy? That has become the perception toward the public institution. So the public institution is seen as an obstacle, it is part of the problem and so on.*

*When we started discussing that I guess the reaction at that time was “Yes, we agree with that perception.” Although they did not fully, of course, agree with that because many of them are dedicated, maybe not corrupt officials. They feel that the perception and problems are just too big and too abstract to change. They don’t know how to change it or where to start. So I think the value of the meeting, or you can call it, the radical departure is that through that meeting and conversation, I try to translate the idea of reform into reality, or to provide confidence to my echelon, to the management team that nothing is too big, too fundamental, or too difficult to change.*

*By starting discussing it first and then you try to discuss it in a way that is practical. So it is a combination between a practical and pragmatic approach but at the same time we try to hold with this final goal that is to regain the public trust: building confidence, creating good governance, eliminating or eradicating corruption. So that is more or less, I guess—.*

WIDNER: Who attended that meeting? Was it a very large ministry-wide—?

MULYANI: *No, I think I remember that we had fifteen echelon one, which as I said six of them are the functional echelon one. We call it staff ‘alhi’ or the expert team. In Indonesia we call it the functional echelon one, but the structural echelon one is the one that really has a unit under them who have the power, authority, as well as functions and responsibilities that are very clear—like tax, customs, treasury, capital market, debt management in this case, and fiscal relations, central local government, fiscal policy office—all those things that are the real unit. The other six are functional echelon one; those are the ones who attend. Don’t forget that from day one I also introduced a special assistant, which is appointed by the government. These are the two former ministers: one is former minister Mar’ie Muhammad, who is seen as the Mr. Clean in Indonesian public and the other one is the former Attorney General Marsillam Simanjuntak, which even the President is scared of him because the attorney general can even prosecute the President. This is the person that will have the courage as well as the ability to do that. That’s why no one wants to appoint him as an attorney general.*

*So those two persons, both very senior, have been known by the public as incorruptible. Symbolically it is just giving—both for my own internal communication with my staff, as well as externally for the media and audience—where I stand. That is very effective. Speaking a thousand languages about*

*where the stance of this government. So they are the ones who attend that one. Don't forget then I started to—because in the Ministry of Finance there is no real structure of chief of staff, but traditionally, actually served by the secretary general of the Ministry of Finance. But I saw that the secretary general is really overwhelmed with the structure or function of human resource management, promotion, firing, and all these, other legal aspects are also under the secretary general. But someone, or a unit which is really serving the need of the minister as an executive, a unit that manage and organize daily tasks, prioritizing my agenda, communicating, networking, making sure that the schedule is there, timekeeper, follow up decision and all those things. I didn't have this unit at that time, so I created that function. That became what we called the reform team unit.*

WIDNER: That was going to be part of my next question. How did you restructure your office because it must have been—this was a huge ministry—and I wondered how you were going to manage all of these initiatives at the same time you were doing the general management of the ministry as well? So the chief of staff was critical in that. Were there any other changes?

MULYANI: *No, the first goal of the chief of staff is try to organize my agenda, to discipline my priorities because in every meeting there is a decision. I also see the weaknesses of bureaucracy, which are when you have a meeting and make decisions, and there is very weak follow up or inconsistent implementation of our decisions. That is very known in the bureaucracy in Indonesia, weak implementation and monitoring of decisions. So knowing that I wanted to really change that image. I am fully aware that effectiveness of the organization is depend on when you discuss something and you decide something, the effectiveness will only be seen first, if you are able to make the decision. That is the organizational effectiveness. Second, whether that decision will be implemented. I'm seriously aware, conscious about that. That's why I really pay very big attention in terms of the structure as well as the unit who can make sure that first the minutes of the decision is going to be reflected accurately the discussion and decisions, and this will be circulated and disseminated. And second, that decision will be implemented and monitor with a certain measure of implementation indicators or mechanism to make sure that the implementation is really consistent and effective.*

*That is where strengthening the credibility of this movement, this program, including strengthening the credibility of the management or the leadership itself. So that is the design.*

WIDNER: Just out of curiosity, where did you go to find that person who was the excellent chief of staff? Were these people you already knew about? It's a special skill, not everybody has it.

MULYANI: *It is a special skill; it was trial and error. In the bureaucratic culture in Indonesia, and not only in Indonesia but even here in the bank, if you try to introduce something very alien, the anti-body will come up, of course. So first I was actually appointed someone who was very rigorous, very calm, really a good administrator. But he is not really a connector because at that time the obstacle—even I have to negotiate with my secretary general because I don't want to create something, a unit, somebody who becomes seen as the shadow of the minister. In Indonesia, of course, or in any country, usually you will be quite suspicious of someone who is trusted by the real power holder and whether he or*

*she has really become the real honest broker or has become an additional layer in this case.*

*So also, I am acutely aware of that. The other problem is making sure that this is not competing with the secretary general, which is actually the formal structure of support to the minister. Finding someone who is also going to be trusted by the secretary general, but who can play an active role as my more or less direct personal assistant is not easy.*

*We had one which is a very—and then don't forget, the position is only second echelon because I'm not creating first echelon. I feel—I was actually asking the President, the minister of PAN (Ministry of Administrative Reform and Bureaucratic Reform) to create this new unit as the first echelon. I cannot get the approval. So through a long bureaucratic process I can only get a second echelon unit, with even the name where you have to negotiate for a couple of weeks with the minister of PAN in this case. At the end you have this name and the name is just totally illogical, but I don't care about the name, it is just a function at that time because you have to follow the bureaucratic rule.*

*So the first obstacle was the bureaucratic process. I appointed this second echelon officer, he is a very dedicated, honest, hard worker. He is the one who maybe, I think, in the first year is really building the system to support my reform program. Building the system, that is figuring out how you organize the minutes of the meeting of the minister, how you record it, how you were making sure through the communication to all units, and making sure that the director-general, especially on the implementation unit, that you can follow the decision by checking them, you call them and so on. So he created that system and he recruited staff around—.*

*I asked any staff in the ministry of finance who has at minimum a master's degree—I prefer from the foreign university, from abroad—they are eligible to apply to this unit. I asked each of the directors-general to send their younger staff to apply to become the back office and the middle and back office of this unit. I got around five or six who were young, very talented staff. They were not having any echelon at all, but I just pulled them and put them in this unit and that unit became the motor of reform. I don't care about the level in this case. So they're the one who built the system of creating the middle and back office of this reform in the ministry.*

*Then when there was a reshuffle of my first echelon, because I changed tax and custom director generals, the head of this implementing unit or my chief of staff at that time, was promoted to become first echelon. Then I got replacement who were more skillful in communication. So who has personality as well as the network, he is a lawyer. The first one is an economist. It is like my—the second one is a lawyer and he worked before as the lawyer of the Ministry of Finance who dealt with asset recovery during the bank restructuring reform of banking crisis in 1997-98.*

*So I have someone who has known the bureaucracy well but has also connections with the private sector. He had good integrity. This is good because I have to deal with the politicians, with the business community, with the bureaucrats—so many things. I think that is—the second one is the one who served me until I finished my term and I think he continues now. He has been promoted as first echelon by the new minister.*

WIDNER: We were also very interested in how the special advisory team worked. Who was on it? Why were they on it? What did they do in the early period?

MULYANI: *When you ask about special advisory team it is the two former ministers or the reform team? Which one are you referring to?*

WIDNER: There were two groups. I think I had a separate question about the national bureaucratic reform team so maybe you could explain the distinction and talk about each separately.

MULYANI: *There are maybe three groups if I can call them that way. The first one is, as I said the two former ministers who actually their roles were more as advisers, or sometimes became my sounding board. I had to make daily decisions, and sometimes the decisions were contentious. It was not always an easy choice; you have to sacrifice something for something. Sometimes you just need someone to give you the sounding board, whether the judgment is right.*

*The first one, this former senior minister was also seen as my screener, especially when it came to the very sensitive cases. One is the former minister who was also before the former director-general of tax. This is Mr. Clean, Mar'ie Muhammad. So he knows about tax policy, regulation, administration very well and he knows about the tricks over there. The other one, as I said, is the former attorney general. He is a lawyer: a medical doctor, but lawyer. They both have the quality—know the details, understand the bureaucracy, understand how the bureaucrats and the bureaucracy can really hide certain things within the decision recommendations.*

*It was good to have these two advisors. Sometimes when I feel that my instinct and when one decision is giving me a lot of very detailed complication on the legal or technical background, I just asked them to read the background notes and give their opinion. That kind of process gave the signal to all in my echelon that I still have the reserve position to make a different judgment rather than accepting what they have provided me. That will shield me from the pressure of time, especially when they say I have to make decision by the end or the close of this business day. While the decision can be in facility or giving waiver—I mean, with the Ministry of Finance, this decision means money, a lot of them. That is really a transaction. Having these advisors and screener was really disciplining first that they are not going through a time of hiding fact or something. And on the second one: on the soundness of the process itself. That structure and process really protects me (from making wrong and bad decisions) quite a lot.*

*The other team is the reform team, which I think maybe that is the team (you are referring to)—. As I said, I created that unit from the functional echelon one, which in an Indonesian cultural bureaucracy they are not really functioning. They are just symbolic performance, or as I said in my previous interview this is a place for someone who is unwanted.*

*I decided that we should make this position functional, really effective in this case. So I attached or assigned them with a very explicit mandate but at the same time also with explicit responsibility. This is not described in their formal assignment by the minister of PAN in this case. All of the other echelons know that I use them and we have, as I said, a meeting every Friday. They are the*

*ones who will report to me. So they see that I use them. They function effectively and no one would question about this unit.*

*Of course I provide them with the 'Keputusan Menteri Keuangan,' it is the decree of the minister of finance just for the formality from legal status and so on. But it is more on the action, daily action, that they see that this unit is really, really used by me to organize, to create leverage, to make progress, to even give me the feedback—. So it is really very interesting. If you ask me about it, I can reflect back. It is actually interesting to see that those people who were seen in the past as part of the problem or liability, they become the reformer, the pusher of the reform. It was just amazing to see that. What is amazing in that kind of setting is that I used the talent of these people—that is their leadership, experiences—as I said one of them is the former custom director-general, which has a very strong leadership. He was heading 10,000 people under him before. He is known and respected by his peers. He was replaced only because public perception that he was part of the old regime, so public trust was low.*

*So I used his leadership, his understanding of the organization, and the respect of the staff, but now use all of those positive sides of his career—professionalism and leadership—for this reform movement. I think it was not by meticulous calculation. Many of my decisions were really based on spontaneous instinct. When I need something or I see the dynamic of the people and then I try to combine all those things. Really, I was lucky, maybe you can call it that way. Is it really practical? I don't hesitate to use people who are effective in this case.*

*I was also quite generous in forgiving their past because I know that in the Ministry of Finance, when you start talking about their past experience or performance, everybody has something in their closet, a skeleton in their closet, so I was not discussing this. When you all start opening your closet then you all have to open your closet, they don't have credibility. The only one who was not associated with past practices/liabilities is only me, I was not part of those system of course. So I will lend my credibility to you all. We will start a new page now.*

*But sometimes when you deal with a certain case, their association with past (wrong) practices has holding us back, because everyone says you know this case actually involves this guy, this guy, and this guy. Then they will come with this network tree of this one did with this one and this one. You will get a lot of things when you deal with the customs, when you deal with the capital market sometimes, and when you deal with tax cases.*

**WIDNER:** There was also eventually a national bureaucratic reform team that included people from different parts of government, as I understand.

**MULYANI:** *Yes, but that was different. It was symbolical for political acceptability. As I said that reform involved other ministries or institutions like the Supreme Court, anti-corruption commission and Supreme Audit. I think this is also by design: not to make the Ministry of Finance an exclusive reform unit. I think people know that the passion that drives this reform movement are very different from institution to institution. I was very passionate with this program. I mean other institutions don't really show a strong ownership. I mean I just try to put—the anti-corruption commission design the national reform strategy, as you can see it. They proposed to the President and presented to the Cabinet the idea of reforming Indonesia by first reforming the Supreme Court and the Supreme Audit Committee and Tax department because they are the last gate or goalkeepers*

*and revenue generators, I think. Then sequentially you move to the other institutions.*

*Actually I was excited about reforming of ministry of finance. So I said I should be in the club, but it should not only the tax department but the whole Ministry of Finance. So they see me as someone who is really passionate and obsessive if you can call it a little bit obsessed with reform, while others were, "Oh, it's nice, it's reform, what is reform? OK, we'll will follow Sri Mulyani because reform means that you can increase your salary." So everybody is happy with that.*

*This national reform team created the reform design from the very beginning, recognizing that reform cannot be partial. It should be systematically organized but you should have a strategic approach because you cannot afford to do it at once and for all a big-bang reform. So that was the idea. I should say the original idea is really coming from the anti-corruption commission, where the chairman at that time, they are all friend of mine. I mean you talk about Erry Riyana, Ruki, Amin Sunaryadi and others. We firmly believed we wanted to build Indonesia, a new Indonesia. So we tried to collaborate and strengthen each other in this case.*

WIDNER: So the national bureaucratic reform team was designed to develop a strategy for rolling out the reform process across other parts of government.

MULYANI: *Right.*

WIDNER: Do I understand correctly that it didn't make in the end as many strides as perhaps the Ministry of Finance did or did that vary across—?

MULYANI: *Well they did, but I think I should say that from the of program implementation, they made several changes—the Supreme Court especially. They adopted case management, openness, the managing backlog cases, the decision-making process, which becoming more open and disclosed to the public. All of those things. But whether they are reforming the judges, I don't know. Some of them really supporting the reform: they personally come to me and sympathized with this reform. But I think the Supreme Court, the election of the judges is really through a very rigorous political process also.*

*To be honest, I mean it is good to have the partner of reform there and Supreme Audit were also very committed at that time. We can see a lot of the younger auditors were really excited with this new power of the Supreme Audit, the new responsibility—which I really asked them, please watch us (ministry of finance), please audit us, please remind us. So I really gave the signal that we really wanted them to be powerful and become the effective check. It was really good to have that kind of balancing power—. I must say yes, but the reform there may be more leaderless if you can call it. You see the seed of reform was everywhere but unlike in the Ministry of Finance maybe they were more like they want it, there is an aspiration for change, there is a movement, but it is not really organized. The passion of reform maybe, the passion is maybe not really there.*

WIDNER: You have mentioned the KPK leadership has been a strong ally.

MULYANI: *Yes, the first KPK chairman.*

WIDNER: The first. We have been developing this series of case studies on the KPK and I wonder if you'd be willing to talk about the very beginning of this initiative and the

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way you built the relationship with them. I didn't realize that they were friends of yours so maybe there was a preexisting relationship.

*MULYANI: I mean, if you were in Jakarta, you know each other very well—Among them you know who is the reformer, who is a little bit reformer, the other is the troublemaker who makes the reform becomes a hero, I guess if you can call it that. So the reforms since Suharto times—everybody knows, even during a suppressive, authoritarian regime you can detect some reform minded people in a certain institution. Sometimes one or two cases showed that there was somebody who has the courage, has the aspiration, has the decisions, which were a deviate from the regime at that time. So yes, the 1997-98 reformasi actually created a situation in which many elite connected each other. We know that the reform was blocked. The reform minded people could be in media, it could be in bureaucracy, it could be in state-owned enterprises, it could be in military, it could be in police. They were everywhere and we are connected. We talked about how “Oh, we need to have to have someone or can we find somebody who is reform minded in this,” and such.*

*So the anti-corruption commission as you know is very powerful institution. It is the product of this reformasi. The second after you have a very powerful law and authority, the question is who should run this institution. And that is the real problem for Indonesia. There were only a few people and it was really about bargaining because you have to recruit from the police and attorney general—because you have to have these two institutions in the anti-corruption [commission] because they have the investigation authority, and they have to at the end file the case and so on. They have to know about all of these processes.*

*But everybody knows, who's the reformer in each institutions, for example we know tax officer who is honest enough, not corrupt. The anti-corruption commission's first chairmanship—the commissioners are five if I'm not mistaken. Three of them I know them very well. I mean Ruki, I know him, and he is former police. As it happens to be, his brother is a University of Indonesia friend. Erry Riyana was from state-owned enterprises before, I knew him very well. Amien Sunaryadi, he is now working for the World Bank, he is also very committed. He is the one who challenged me by telling me the story of how important to do over killing to change the mindset or culture of corruption.*

*The moral of the story is that when you try to initiate change or reform, the system (status quo) will test you first, your determination. Whether you will be able to act and punish those who dare to challenge your leadership and the change that you tried to initiate. When you say that you want the institution to be clean, we really mean it. That is why you can see in my approach, for in the attempt to clean the Tanjung Priok Port, I used this necessary overkill approach by replacing all officers with new officer through a very tight screening process, to mark a new era. And when we still found corruption there, I adopted shock therapy by not only replace the whole unit but also giving the maximum punishment within my legal mandate.*

*We are, if you can call it, a little bit of the hardliners on the reform movement because we obsess to clean Indonesia which suffers from very deep, structural entrenched corruption. It is captured by the parties, by the structure. You have to really do it, and show it that we can make a change. I mean in Indonesia, very good examples are always Hong Kong and South Korea. They always say that Hong Kong was able to clean up and they did it very successfully. Anti-corruption Commission is using Hong Kong as its model. South Korea, because two*

*presidents have been put in jail. In Indonesia, no president has been put in jail despite the pervasive corruptions under President Soeharto. So we are quite obsessed with cleaning up the country.*

*So these reform hardliners—we really want to clean Indonesia, want to put Indonesia in a different level. We are friends. And when we were in several different positions we tried to support each other.*

WIDNER: I was going to ask a little bit about—you had noted that there is a political context, there is a historical context to a lot of this. There are clearly people who stand to lose from the creation of the anti-corruption commission. I wondered whether this context shaped the design of this agency at all or the strategy that it enunciated in the beginning, or what the analysis was. These are the people who are going to lose so we'd better figure out a strategy for accommodating or responding to the hailstorm that will hit when they suddenly feel threatened.

MULYANI: *Well as I said, I think, in the first years of the reformasi, no one dared enough to be against reform. Even the most corrupt one had to pretend and change their rhetoric to be seen as reformer. That very small window of opportunity, which made us able to create and pass the strong anti-corruption law as well as anti-corruption commission. But the difficulty was then starting because it is not only just the law. What's most important is actually who should chair them and who should run this commission. And you know, because they have the investigative authority or power you need to have somebody who knows how to investigate and prosecute. You have to recruit from the police and the attorney general's office. So this is a pragmatic compromise if you can call it that way. You tried to find the cleanest officers among them but also should have the competency to do the investigation and prosecution.*

*Then when you mentioned about the loser of all this reform, during the first, what I call the window of opportunity—the window of opportunity is very narrow—the cost of reform is almost zero because everybody is supporting it. But the gain in benefit is really high and obvious. There is confidence, there is—. But you see with evolution and changing of time and especially when you have two cycles of elections, that balance has been shifted. The cost of reform has become very big when you have the new elite with narrow interest who is capturing, they have so many things to lose if you try to be consistent in cleaning up the country.*

*This is really exactly the situation/problem. That is why when you asked what was my reflection—when I was starting the job as Minister of Finance, virtually the enemy or the risk of reform was very minimum because everybody was still in a very weak position. Everybody has a lot of gain when you associate yourself with reform. But when the power equilibrium changed, you see there is a new power entrance in many fronts, whether it is bureaucracy, political parties, businesses, then you see—if you clean up the system—you will see someone or parties who were suffer or losing and sometimes they're losing a lot, so much that they have to defend their interests. With that the battle starts going uphill then.*

*[42:00] So I think this is going to be the test case for KPK, for the reformers in the Ministry of Finance, in the attorney general's office, in the police, in the Supreme Court. Because the interest groups understand how to defend and protect their interests. The power has been distributed to many different institutions not only executive branches but also Parliament and political parties, Supreme Audit,*

*Supreme Court, etc. The interest groups are interested to infiltrate these institutions to protect their interest at the cost of the reform (good governance).*

WIDNER: Did you want to ask a question?

KURIS: On the subject of collaboration with the KPK, one thing that your reforms and the KPK reforms had in common was the focus on human resources systems. In 2006 the KPK really, after a long struggle, overhauled the human resources. I think pretty shortly afterwards, that was a big source of reforms for you. How did that work? Did you base your reforms on the KPK or did you collaborate and have a common model?

MULYANI: *There is a common model on which we all agree. KPK was designed, especially on the human resource system, on incentive salary and all of those facility or cost of their activity was really designed based on the realistic cost and provided budget accordingly. As you know in Indonesia the chronic problem is that you have a big bureaucracy, underpaid, under budget so that everybody have the reason to abuse their power in order to perform their role or function and even just for survive.*

*So KPK was designed based on the idea that you have enough salary, not excessively high of course, all the salary including the facility, whether this is transportation cost—they are very detailed up to, say, if you have to go to the airport, use a taxi or the transport costs, if you have to stay in a hotel—I mean it sounds trivial but that was the very beginning source of corrupt behavior because you cannot manipulate your per diem, your transport cost and so on. This tradition and system was not yet there in Indonesia. So KPK helps build this new system based on good governance and consistent budgeting.*

*KPK is the first unit or bureaucracy in Indonesia that is designed to prevent those kinds of habits to happen by providing them with a very transparent budget, reflecting true cost, a salary that is decent enough so they become fully committed to the anti-corruption commitment. That was the idea also in the Ministry of Finance. That was one of my first moves to try to redesign bureaucracy so that they are functioning properly and normally because it was provided by an adequate budget—that is the budget which is costing—adequate salary, accountability, transparency, and then providing with a check for them, enforcing it. So yes. Whether we compare ourselves—no, not really.*

*Actually, I asked the World Bank at that time because I said I believed that the World Bank is not corrupt, of course, by asking how the bank designed—at that time when I tried to reform the per diem and traveling costs for the people. Because the minister said that was the source of, they called it the collective corruption in the ministry. You are all manipulating, you go to one other city for the assignment. You actually stay for three days but you report to stay ten days only because your per diem is not adequate so you have to multiply it by three, or something like that.*

*I corrected them by asking World Bank, what is the standard per diem of the bank, how you pay it and so on. Now I'm in the bank and I'm amused, I'm actually using the standard. But yes, it is just logical. The common model is because logically we don't want to create governance that is not consistent, that makes the bureaucrat or the official have to struggle with their daily life or*

*inadequate with their administrative support. That creates a distorted behavior. I think that is more or less the idea.*

KURIS: Do you have to get permission from MenPAN about implementing the system?

MULYANI: *That is the hardest part, yes. We had to circumvent a lot. We had to reinterpret the law. We tried to find any article that can be used by us. We used a lot of presidential decrees as the discretion and the minister of finance as the precedent, who has a huge following. So I made a lot of my—I mean overstretching the interpretation for the good side of the existing law I guess in a way.*

WIDNER: We have a few more questions about the KPK but you've raised the issue of MenPAN and maybe we could stay with that for just a bit.

MULYANI: *Sure.*

WIDNER: As I understand it in 2005-2006, you were asking MenPAN to change some of the functions, give you some of the functions, that it had performed. I wonder if you could go into a little bit more detail about that, the changes you requested and the kinds of constraints you feel that MenPAN faced, and how you began to develop a relationship there.

MULYANI: *First yes, we have to make sure that MenPAN is on our side because they can become the real obstacle. The more I try to study—sometimes confidently I try to study and compare it with the United States because I thought why does the Ministry of Finance bureaucracy has to be uniformly ruled by this MenPAN? In Indonesia you are not differentiating the structure of organization and governance between Treasury, Ministry of Finance, Ministry of Trade and so on. Well interestingly I was told when I looked at it that, for example, here I don't know whether my understanding is correct, but the Treasury has the Treasury law and you have your own Treasury organization. So all things governance and structure were based on your specific law.*

*If you have the Ministry of Health, then maybe you have that one. They have more or less individual, maybe based on job description and function and role, they have more or less their own governance structure and incentive. In Indonesia, it does not make any sense. All the ministries are uniformly structured. You are only allowed to have echelon one no more than seven or six. I said one ministry is the Ministry of Tourism with specific responsibilities may need a few echelon one, compared to the Ministry of Finance, with huge responsibilities and functions. But they are not allowed to have different structure because the ministries were governed under one ministry law.*

*That is why it is—I tried very hard actually, tried to have the Ministry of Finance Law. It is not the state finance. State finance is the content of the work of the minister of finance or Ministry of Finance. But the Ministry of Finance Law which will provide the legal foundation for the structure and function or responsibilities of the Ministry of Finance. I failed.*

*You asked about that. While I don't want to make a new battle because I had to move very pragmatically about what was most important and urgent at that time, which was to clean up. So you try to find a space based on the existing law. I was hoping that maybe the next minister or the next generation of politician was going to have a much better idea about how to govern Indonesia, but—. Then*

*that's why when you create a structure, for example, like the chief of staff, the reform unit, I was using the discretion of the President, the presidential decree, Ministry of Finance decree, a joint ministerial decree between MenPAN and Ministry of Finance. But you have to be really nice with them. So I really have to do a lot of what you call inviting people more on the reform side by not offending too much, forcing for something, but at the same time you try to delay some of the battles because you don't see it as worth doing now.*

WIDNER: Did they become more flexible or more willing to adapt over time?

MULYANI: *Not necessarily but they are very pragmatic. They see that they are under a lot of pressure also in the sense that while the reform was supposed to be initiated by MenPAN, but it was the ministry of finance who actively launched and initiated the changes, that it is also a question about their own credibility. So for them, with political calculation to enhance their credibility, they become supporter of the reform in the ministry of finance rather than becoming an obstacle. So I guess, yes, they become very pragmatic. This is just another example how we need to develop strategy to defend and to support your reform under the structure in which some of them cannot be changed overnight.*

WIDNER: In the earlier conversation you had with some of our staff members there was a discussion of the tax directorate—the human resources department and the tax directorate. I wanted to make sure that we had a clear and accurate understanding of that situation. I think it was about sixty people and—

MULYANI: *Oh yes, that case. I think you're referring to one case in which the director-general reported to me that there was an HR decision on our rotation. There was a manipulation in that.*

WIDNER: Right.

MULYANI: *Then when I asked him who was really the culprit of this mistake/scandal, he said, "Well it is very hard." Of course the head of the unit who is in second echelon is the one who is responsible, but I think he was managing the whole unit including even the office boy. I mean this is—the reputation of the HR unit within the tax department was so bad at that time. Some even said, that they were more powerful than the director-general because they are the one who has the power of assigning and deciding the location of staff, for example in a very lucrative office in which you are dealing with the biggest tax payers and so on. This is a place in where you can do that. So they are so powerful, because if they like you you can be assigned in Java Island or in Jakarta with a lot of big tax-payers, or, if you don't like them you can send them to a remote area of Indonesia where there is no taxpayers at all. That's why you can see that their power is very big. Because there was no openness or transparency in the system of Human Resource management, the power can sometimes be used by the director-general. Every time you are traveling to the local office, you see everybody is so scared of them. So I said, "Why don't we reform this unit first just to show that we now really want to promote our staff based on merit?" I mean no matter where they are they are going to be rewarded according to their performance that will match with the incentive system, not because they are dealing with a big taxpayer and so on.*

*So when there was a case of leakage and transaction on the promotion of staff, I don't know, twenty or thirty, was marred by this collusion and all those things, I instructed the director-general that I wanted to clean up that unit. He said, "Can I just change the head of the unit only, that is in the second echelon position?" I said, "No, I want the whole unit to be cleaned up." This is the first necessary overkill. It was actually a shock for them because I was not just removing the director, but I changed and removed all the staff in the unit. So that was the first signal for them, that the minister really means it when she asked to build a clean system.*

WIDNER: One of the reasons I asked about that was not just because I wanted to be clear but also it is a problem that many countries encounter. I guess one might call it a market for public office where there is somebody who is benefiting from transfers and promotions and that sort of thing.

MULYANI: *That's true.*

WIDNER: They often have a connection to a legislature. It is very hard for many countries to tackle that problem. We wanted to be clear on what your strategy was because it may be something others could learn from. You may have some general reflections that other countries could benefit from about that particular kind of problem and how you get around it.

MULYANI: *First it may be the benefit of really making a quick decision. At that time maybe I was not really as fully aware about that connection with the legislature. Only then after my decision was made, I saw the reaction. But maybe if I am too concerned about that I would be too scared to make any decision or change at all. I know that the Ministry of Finance—tax department, customs—they are very well connected everywhere, as I said, politically or even to the military, the police and so on. It is just—I was focusing on that. I wanted to give a signal, immediately, and that is why you have to do it. You just remove them.*

*I guess I really don't know whether you can qualify me as brave or just ignorant, maybe I'm more of the second one. Then after that, ignorant to the risk in a sense, I guess the staff then—you see the dynamic, when you deal with the staff, the reaction after that decision was made. Of course some of them resented it, as you say, the loser. But you see that they are just amazed that the minister can make that decision. That it was really encouraging to see the reaction; that you can see the confidence and trust is growing. People feel—you can see from their faces there. It is that they now believe that change is happening. They see it, they feel it. They saw the proof. It was just amazing. You can feel it when you talk to them and you can see it through their eyes, the way they talk. You just amazed to see that changes. Those people suddenly realized that "oh this is what it means to be changed, what it means to have reformasi." You just focus on this positive momentum and you're not too worry to the negative reactions or the risks. I think my focus was just creating a more positive momentum—and also confidence for people to move forward in a way.*

WIDNER: In this vein, I had two other sets of questions about performance management. One pertained to the creation of indicators for the people who were at director-general level and above. I think our previous research team said there were about 119 indicators and they were monitored quarterly. I'm impressed. That takes a lot of effort to do. I wondered who was placed in charge of this reform

and how did they come up with the criteria that they used? Was the system adapted over time? How well do you think it worked?

*MULYANI: It was an evolution, of course. We don't know what the scorecard was at that time, so we first hired a consultant to teach us about scorecards. The consultant came to us, and the limited experience—because in Indonesia the only institution that tried to adopt it was the Central Bank. Then they stopped short because then they saw the consequence of really adopting the scorecard changes the culture of the institution. You really have to change the way you behave and manage the institution. But I was having a very healthy curiosity at that time, so OK, why don't we try. I mean I don't have any other instrument or tool to measure the performance vis-à-vis the risk. The only thing that I know is the concept of reward and punishment but what does it mean, reward and punishment. So you really have to come up with something. That was the only tool that I knew.*

*We looked at the website, OK, scorecard. We'll invite these consultants. So they taught us. It is mandatory for the first echelon. I myself sit in. The minister and the first echelon spend one day in one of these management meetings. They told us about what the scorecard is, what is the philosophy behind it, all of this. It was a very interesting meeting because then we were becoming more like a team, excited with a new thing. Then suddenly when they realize they are going to be scored, including the ministers, everybody was terrified. We negotiated about which indicators and then we put up the first set of performance indicators. We had the first monthly meeting and the results almost all indicators were red and they were so embarrassed. They said, "Oh, this indicator is not good or not accurately measure the performance."*

*Then the consultant said, "Well, you know the first instinct you want to change the indicator so they will mostly green, but if they are all green it doesn't serve the purpose as tools to inform us on which areas need to be improved." Red is OK, it is not a punishment. It is just giving you information or alarm that we have to do something/correction—so it was really changed the behavior of all the echelon and by made them accepting the mechanism and adopting the indicators.*

*If you were a top decision maker, especially in a big institution—such as the minister of finance—you tend not to accept bad news. You just want your staff coming to you with only good news. That is really a very self-defeating habit for any leader or any manager. I think the most spectacular achievement of the reform process was that I created a culture in which reading and monitoring indicators which telling your performance including a bad one, and using them as an instrument to change, to correct. It was a normal management process of establishing a system, building information system, detecting problems—you diagnose them and then respond to it to achieve progress. I think that was something that really created a more healthy and normal organizational process. So yes, we were ambitious. Why is it 119-something? Because all unit wanted to add indicators to balance between something which are difficult to achieve with those that could be attained.*

*The second one? Who is managing it? I have the reform secretariat. Each of the units should have their own reform management, what we called the scorecard management team. They are the ones who are responsible to monitor and continue reporting the performance through those indicators. It is a routine administrative work but then my staff sees that this become very important or*

*strategic because the minister paid very high attention to the process as well as the result or performance indicators. So we really have this regular meeting of show-and-tell, which is good for Indonesian culture. People want to show the good thing (performance), telling how great they are. But at the same time we have the team who are then detecting that not everything is green.*

WIDNER: The indicators really were tracking projects or were they tracking results?

MULYANI: *It depends, For example, we asked the consultant to come up with what we called the strategy. They have what they call the bubble and then see that this is the external shareholder, this is the management team, this is the internal, this is something from human resources, from technology, from budget, all those things. So we tried to build a system, which we understood based on this concept. It varies.*

*For the tax department it is the collection, the target so it measures result. From the fiscal policy office whether their assumption in the budget deviates a lot, that means—. In the capital market, for example, the way they respond to the complaints, in this case. But sometimes you find—I remember one of the events where we all laughed. They wrongly put an indicator—for example, putting how many complaints that should be received but then when the complaint is no longer there, does it mean that our institution is good or actually you just suppress the complaint? So I think trial and error in a way. But then we try to find the most logical indicator as well as the most strategic, because we said that we can easily have all the green but it doesn't mean anything for us as an institution. It forced all the management in this case, the team, to think very hard. I said, "You want to be rewarded based on this achievement. It is not to satisfy me, it is really your professional achievement rather than satisfying the minister." I think they buy that argument.*

WIDNER: Another management innovation you put in place was the creation of the standard operating procedures. As I mentioned, we have done a case study specifically on that which I think went public a week or two ago. However, there were two things that I wanted to check with you in this. In the early phases we had one report that there was a program for 35 excellent standard operating procedures that were linked possibly to these rotating meetings that you organized among the directorate offices where the host office showcased what it was doing. Do I have this correctly? Is this how it worked in the initial phase when you were just trying to develop the idea?

MULYANI: *That's two different ideas. First, the 35 are the quick win indicators because we tried to communicate with the audience outside, that is the stakeholders outside, such as the media, NGOs, Academicians. They talk about reform, massive reform, but if the minister of finance started the reform what does it mean? It means these 35 things are the quick win in three months. For example, now the number of days when you have to complain, how long it takes was reduced from 60 days to one week, all of those things. The 35 are the quick win.*

*The rotation host is actually—I fully recognized that the Ministry of Finance is a big organization, just like in the bank here, although in terms of the numbers of staff at the bank there is only 10,000 but they are scattered all over the world. It would be very difficult to create an inclusive process as well as ownership of the reform if it becomes an elitist reform run from a headquarter. They can be easily understood that the minister of finance will pay attention more on the tax*

*department because this is the biggest department, or customs because this is also another big department. But the small units, for example, capital market, debt management unit, fiscal policy office, they want to show that they also part of the reform and also have reform program. And actually, I use the small unit to show to the big unit that reform can be made and can be delivered effectively, as a pressure group.*

*So you have this monthly meeting with rotated hosting. It is just to show the teamwork of the Ministry of Finance but also at the same time gives the opportunity to show a stage for them so they feel strong motivation to participate, inclusiveness, big ownership of the reform, and everyone competing amazingly. When I talk about dash board, it is just amazing. You start with the small that is very creative, they're doing it, they invest it with their own budget and then the tax department, which is the biggest one, is finding that the small unit can show and impress the minister that much. So they try to build the dash board even much better.*

*So you really create a very healthy competition. Sometimes people are skeptical about show and tell, but I think if you really manage it well you can really use this. I mean the people have the same instinct as the children. They want to show something when they are good. But at the same time you should be very cautious whether they hide something that is not good.*

*When you are doing this for a motivational objective, I think it is OK, but that it is not having an illusion such that you are not looking at the bad side.*

**WIDNER:** I am mindful we have about ten minutes left and therefore if Gabe thinks it is appropriate I am going to jump to the more reflection questions. I may check one fact with you later on. You have said that you did not think that crisis provides a very good setting for reform. Obviously some people have said crisis is an opportunity. What makes crisis helpful or unhelpful in your view?

**MULYANI:** *The crisis will be helpful in the sense that you were given an opportunity and provided with an environment of possibility. I mean the sense that possibility means that all the status quo no longer hold power—when you were in crisis meaning the status quo were ups and downs or they have been removed and so on. So that is why it is an opportunity. I would say that yes, the crisis in 1997-98 was also a good opportunity for Indonesia to do the reform. That is when we had the KPK law and so on.*

*But what I am saying is that crisis is not good for the reforms, I think, because when you are in crisis, like now in Greece—amazingly after a couple of years you end up talking about Euro now—you are going to be mixed in terms of your priority between urgency, emergency and what is important fundamentally and strategically for your system. Sometimes you have to sacrifice the medium- and long-term objective because you are faced with this emergency or urgency. That is why the crisis situation is not always good. You can be easily losing sight as well as losing momentum because you are overwhelmed with more emergency decisions needed at that time.*

*When the situation is not in crisis but you have a more well designed reform, well-sequenced reform, you can measure or manage the cost while you can maximize the benefit. That is the idea. That was exactly the motivation at the time when I launched the reform, when the situation was not in crisis at all.*

*People feel good about it. We have the young democracy, everybody was relatively happy. Then you can maximize the benefit. That is what happened in the Indonesian case. We can maximize the benefit. I can contain the cost. I can even manage the resistance in this case. So Indonesia is now reaching the investment grade, which is, I think, without having to be forced to take a fundamental adjustment. The battle is still continuing. I am not saying that there is no battle at all, but it is much better managed in a way.*

WIDNER: That was actually a wonderful lead in to the next question. As a reform evolves or matures different kinds of obstacles appear. It is obviously an arduous process to manage all of these challenges. What kinds of obstacles began to appear as you moved forward with this agenda and did the timing of the presidential election complicate the reform at all? In many places it does.

MULYANI: *It does, yes, always, because when you are close to an election you are pressured to be populist, which is sometimes against what is good for the country. I guess the obstacle is that you are then—the next stage of the challenge for the reform is when you are dealing with a well-entrenched power, or what you call it an elite capture: the vested interest who knows how to use or to work within the system.*

*I mean here in the United States you also have vested interest, as in many mature economies—it is just the degree of whether they are blatantly abusing the system or there are other power (legal and judicial system and freedom of press) to check them. I think I'm very mindful that Indonesia in this case is reaching the level in which the ability of power to check the tendency of the those who want to abuse the power or pursuing their narrow interest need to always be maintained and strengthen—and this is in constant competition. It is everywhere.*

*I think what is now a challenge for Indonesia is how to build a system than can effectively check and control the power of interest group to avoid the elite capture phenomena. Because you can see that, the system can be weakened by intentionally appoint the wrong person or by putting the weak leader in a very strategic institution. I mean it happens everywhere. You are not going—maybe they are not courageous enough to abolish an anti-corruption commission, but you will appoint somebody who is weak enough so that they are not functioning. Or you can start tinkering with the laws so they can be less effective. That trend has already happening.*

*In the Ministry of Finance I also was fully aware. The courageous civil servant, they are becoming very courageous when they feel that the political umbrella is there: when the President is there, when the public is supporting them, when the minister is courageous enough to support them. But when they feel the battle is on their own, I don't think that courage can be sustained.*

*The good part about Indonesia is that it is an open and transparent country. So the transparency and openness is there. What is not good is that even in the open and transparent environment, some vested interests can still infiltrate or get the power through whatever—public opinion, using a more persuasive technique, Like here, maybe you can parallel with the PAC [Political Action Committee], you call it the PAC. That is the campaign of attacking your enemy and so on. It is just the same. You cannot prevent that from happening.*

*But then I can't say that that is at par with the United States in battling against special interests with the sophistication and all those things. But the structure of what you call interest groups is becoming more now hardened, whether in a political party, whether in parliament, then reflecting in the cabinet, in business, even in university, in the media industries. You can see that.*

WIDNER: So that would require a change in strategy? I'm trying to think what advice one might give somebody who wanted to sustain the changes. But it would take a departure from past strategies—.

MULYANI: *It will not require a changed strategy, it just requires maintaining the openness and transparency because we cannot expect a situation in which the honest and the hero always wins the war or the battle in this case. It is not that you don't have this Hollywood movie I guess in which you are inspired by the battle. Sometimes you'll get defeated and then somebody fights back and so on. It is just that you just make the field maintained to be even and there is always an opportunity to attract the new reformer. I think Indonesia has that one, I guess.*

WIDNER: If we could just end with a rather more personal question. You seemed to be the perfect person for the job at the time. We wondered, in your view, which attributes, which of your personal attributes served you best in your view and which attributes of your fellow reformers or the team, or the circumstances, helped move your agenda forward?

MULYANI: *That's difficult. I think my personal—you just don't want to think about that. It is such a complicated attribute. It is that you work with the spirit of nothing to lose and a lot of things to gain. That is the only thing. I don't see any downside to it at all, of doing this reform. I'm not scared. I'm not worried. I'm not really thinking of a complicated thing. Everybody said this is difficult; I don't see this as difficult. You just need to do it.*

*I think you try to simplify your thinking by focusing more on your hope and that you are confident to achieve the benefit of whatever that is—gaining trust, gaining trust, gaining trust. There is nothing on the downside of this at all. I don't see any risk at all. So maybe that is that I am too obsessed with the benefits rather than looking at the risk.*

*What are the attributes for the other reformers? I think they get infected with this obsession. All of my team is becoming reformer, they believe. They enjoy it. They enjoyed being associated with me in the media, with the public. They feel it is not always easy. They are sometimes humiliated because people always skeptical, but they enjoy the battle. So I guess the attribute is that they then believe that making or joining the reform or even managing it or trying to save it, it has become the new cause for their life, for their professional life. I'm talking not only of the younger generation at which they are not have so many thing to loose. I talk about the top echelon, which in the five years from when I began—and many of them now are already retired, they sometimes call me and say that was among the best time in their life. They feel that they were useful; they feel that they have done something right.*

*I mean, that kind of feeling—those people are the senior people. They feel that they are honored to be part of that reform story. So I feel that maybe my biggest achievement is that I create this idea, or the idea that reform is a good battle and to believe in it. I think that is maybe the biggest achievement. I'm not telling*

*whether Indonesia is now good or not, but it is just creating the belief that you can do something.*

*This is very powerful especially when you are in a now very open information technology era, information can be texted and can be transmitted very easily, with openness and transparency. It is just amazing to see that ideas are widely accepted regardless of the ethnicity, the political party and so on. I think that is it.*

WIDNER: Thank you very, very much.

KURIS: One last quick question. Which of your reforms do you think have proven most sustainable in the organization of the Ministry of Finance?

MULYANI: *The most sustainable? I think the openness, the disclosure. I am very proud that the first time in the history of Indonesia that you produce the balance sheet of the country. You collect all the state assets and publish it. In Indonesia there are a lot of—the public assets can be easily stolen. That is irreversible, but now it has become the habit that all the public assets are disclosed, of all those things. It is just amazing.*