

REWARD AND PUNISHMENT PROJECT APPROACH: MODEL DEVELOPMENT AND PILOT STUDY

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Abstract

Tax sanctions are vital for tax system to ensure tax laws to be obeyed. Despite the importance of tax sanctions, low feedbacks and law enforcement may limit the effectiveness of a tax system and reducing trust on the government. Therefore, the role of public officials in law enforcement is important. However, studies related to the role of tax sanction and public official are dearth. One of them is the study focusing taxpayers employed in public sectors. This study highlighted the tax sanction as the lowest assessment and effect on tax compliance. Then, the study conducted recommended the reward and punishment as a notion of other form of tax sanctions. This paper focuses on the development of model of reward and punishment based on the Project Design Matrix (PDM) by the steps involving problem analysis, objective analysis, generating project design matrix. The developed project provides a foundation for government and for future studies regarding reward and punishment in the tax sanction framework.

Keywords: reward, punishment, problem analysis, objective analysis, project design matrix

A. INTRODUCTION

Indonesia invests enormously in tax reforms and become reliant on the success of them to improve tax compliance. The previous survey study (Rahman, 2017) regarding the effect of elements of tax administration reforms on tax compliance focusing taxpayers employed in public sectors in Indonesia provides the insight about the perception of employees in public sectors regarding modernized tax administration system and tax service is sufficient and perception on tax sanction and tax morale is bad. These perceptions cause that the effect of modernized tax administration system, tax sanction, tax service, and tax morale on tax compliance is however very low. As a consequence, this produces tax compliance of employees in public sectors that is vulnerable to shock and deviation. More importantly, the perceptions and low effect on tax compliance indicate that employees in public sectors are not able to fulfil their function as a role model.

Furthermore, the study indicates the tax sanction and tax morale as the lowest assessment and low effect. Therefore, the study is continued by research focusing on these elements. The study was undertaken in Indonesia by measuring the effect of tax sanction on tax morale with the different dimensions. In this context, tax sanction was examined by dimension of reward as a positive sanction and dimension of punishment as a negative sanction. On the other hand, tax morale was measured by dimension tax knowledge,

understanding rules, and tax expectation. The study was implemented through the online study, in-depth interview, and simulation or game. As a result, the online survey shows the agreement of respondent in the implementation of tax sanction in the form of reward and punishment. Besides that, respondents also agree that the existence of tax knowledge, understanding of rule, and tax expectation influence their motivation to fulfill tax obligations (tax morale). The test of verification proves that each dimension constructs the variable. It means that reward and punishment construct tax sanction. Then tax knowledge, understanding rules, and tax expectation construct tax morale. These results rich our insight about factors affecting tax sanction and tax morale.

In addition, this study also proves the role of tax sanction via reward and punishment in influencing tax morale. This is because result of study shows the existence of significant relationship and effect from tax sanction on tax morale of taxpayers in general, and of government employees, state enterprise employees, and private workers in specific. In addition, tax sanction with dimension of reward and punishment becomes a potential element to be improved by focusing on employees in public sectors. This is because I find this kind of taxpayers has the lower impact of tax sanction on tax morale than private workers.

In the side of in-depth interview, this study obtains the agreement toward the existence of reward and punishment as a form of tax sanction. In

the implementation, the respondents expect reward and punishment in the form of ease and unease (social sanction) respectively in getting public services. In practice, this study results the role of reward in reducing the cheating in reporting annual tax return.

Referring aforementioned results, I generate the reward and punishment as the key factors for improving tax compliance by focusing on employees in public sector as a role model of society. As implication, I develop the model of social sanction as a kind of tax sanctions to improve tax morale. In this context, I focus on the sanction in the form of rewards and punishments as positive and negative sanctions. These sanctions are realized in the form of ease and unease for obedient and non-obedient taxpayers in handling matters relating to public services such as obtaining a business license, a passport, a permit to build the house, bank loan applications, and others.

I construct a model of reward and punishment by using Project Design Matrix (PDM). PDM is a logical framework through a 16-cell matrix with four columns and four rows known (EuroAid, 2004). The PDM summarizes the narrative of activities, outputs, project purpose and overall goal of the relevant project [FASID, 1994]. In general, projects proceed in the following stages; precondition, activity, outputs, project purpose, assumption, and overall goal. The project is launched when preconditions exist, and then activities are initiated. An output may comprise several activities; accordingly, a number of activities can be nested within one output. In turn, multiple integrated outputs may comprise a project's purpose. Put simply, outputs are produced through activities, while the project purpose is achieved through these outputs. The PDM also establishes a link between the narrative summary and financing and resource inputs, as well as assumptions that may critically influence the progress of the project. Thus, reviewing the PDM can readily facilitate an understanding of the configuration and characteristics of a given project (FASID, 1994).

According to Masahiro, 2004 and Minato, 2007, the stages of PDM consist of: 1) stakeholder analysis; 2) SWOT analysis; 3) problem analysis; 4) objective analysis; 5) project selection; 6) Project Design Matrix (PDM); 7) work-plan; and 8) monitoring and evaluation. Considering these phases, I focus on the problem analysis, objective analysis (combined with project selection), and formulating Project Design Matrix (PDM) as the initial steps in building a model of reward and punishment as a project.

Therefore, the study comprises five parts. In the second part, I discuss theoretical foundation about reward, punishment, and project design matrix (PDM). Next, I describe the project preparation process involving problem and objective analysis. In the fourth part, I generate the reward and punishment project by using Project Design Matrix (PDM). Finally, I highlight the conclusion of our study and propose the potential avenues as recommendations.

B. PROJECT PREPARATION PROCESS

a. Project Preparation: Phase 1, Problem analysis

In this section, I conduct the problem analysis, initially, by reviewing the results of empirical studies in sub section 3.1.1. Furthermore, I design the problem tree based on the empirical and theoretical foundation in sub section 3.1.2.

i. Result of empirical studies

This sub section elaborates the insights from the survey study, online survey, in-depth interview, and simulation or game related to the reward and punishment.

Insights from the survey study

The result of survey study regarding the effect of elements of tax administration reform focusing taxpayers employed in public sectors in Indonesia in 2014 (Rahman, 2017) indicates the poor role model of employees in public sectors in general and both government and state enterprise employees in specific regarding modernized tax administration system, tax sanction, tax service, and tax morale. This condition, evidently, influences tax compliance. In this context, the problem occurs because, basically it contradicts with expectations of employees in public sectors.

The study highlights that: 1) almost 72 percent of respondents agree about the employees in public sectors is an implementer rules and be a role model for the public; 2) more than 76 percent of respondents agree that, as a role model, their behavior become a model for the public including in fulfilling all their tax obligations; 3) nearly 79 percent of respondents agree that the tax compliance behavior should be started from the leaders; 4) around 85 percent of respondents agree that the behavior of the leader becomes a role model for staff included in the tax matters; 5) nearly 77 percent of respondents agree that the voluntary tax compliance should be started from the government; 6) nearly 75 per-cent of respondents agree that the tax officials in

specific and employees in public sectors in general should be a role model in applying voluntary tax compliance without corruption; 10) more than 77 percent of respondents agree that the positive behavior of government officials in taxation activities will give a positive impact on the tax compliance behavior of taxpayers as a whole.

Furthermore, this study also uncover the form of role model, mainly openness and giving prove of result of taxes. In detail, associated with the role model, respondents suggest: 1) nearly 77 percent of respondents agree that there are just two things to improve the tax compliance namely being a role model in taxes and providing the evidence of using tax revenue for the community; 2) nearly 75 percent of respondents agree that the government should provide an evidence through using tax revenue just for the public prosperity to enhance the tax compliance; 3) nearly 75 percent of respondents agree that the utility of tax revenue should be supervised by the society; 4) nearly 93 percent of respondents need the transparency in using tax revenue; 5) more than 79 percent of respondents agree that the tax laws should always be obeyed whatever the situations; 6) more than 94 percent of respondents need the managing tax that is more transparent; 7) nearly 68 percent of respondents agree that it is necessary to improve e-filling/annual tax return by the good data cooperation between banks, institutions and tax offices, so that the income data can be obtained and the tax payable can be calculated automatically by the certain tax application.

In order to improve tax compliance, this study underscores the suggestion to improve tax sanction and tax morale. In this context I underline the respondent suggestions related to rewards and punishments, namely: 1) more than 74 percent of respondents agree that the tax revenue should be allocated by subsidy mechanism such for housing, education, health, allowance for unemployed people, elderly, poor people, and others; 2) nearly 70 percent of respondents agree that the government should give a reward for taxpayers who pay correctly the tax payable and submit timely the annual tax return in the form of restitution, reduction of tax, discount for several products, and others; 3) more than 64 percent of respondents agree that the imposing tax sanction should more severe for tax officials; 4) nearly 66 percent of respondents agree that the law enforcements from all sides should be started from tax officials; 5) nearly 62 percent of respondents agree that the law enforcements should be started from employees in public sectors; 6) more than 67 percent of

respondents agree that the tax corruptors should be announced in a special newspaper, then should be confiscated all their properties, and should be given the corruption certification for the entire family besides severe punishment; 7) more than 76 percent of respondents agree that the directorate general of taxes should publish all taxpayers who have not paid taxes and have not submitted their annual tax returns; 8) nearly 73 percent of respondents agree that the website of directorate general of taxes should inform violations committed by the tax authorities.

From the all perspectives, this study results the agreement of respondent about the existence of reward and punishment as forms of social sanction within the frame of tax sanction such as publication in newspaper&website and certification as a kind of punishment.

Insights from the online survey

The online survey regarding reward and punishment in the tax sanction framework in Indonesia in 2015 (Rahman, 2017) highlights agreement and expectation of respondents for applying rewards and punishments. Regarding rewards, this study identifies that giving reward is a tool to motivate taxpayers. In the implementation, the reward of both financial and non-financial form is expected to conduct in line with rules, appropriate with the size of contribution, considering equity without description.

Furthermore, this survey also reveals the agreement of respondents regarding the kind of rewards in the form of non-financial rewards such as appreciation, convenient, reliability, responsive, assurance, and empathy from the government including special certification. In this study, respondents also agree the financial rewards such as tax compensation, tax refund, incentives, and prizes. This study highlights at around 65 percent respondent requiring reward in the form of financial reward. The rest, at about 35 percent is within non-financial reward.

In the side of punishments, I underscore the agreement and expectation of respondents for their implementation. In this context, respondents agree the implementation of punishment as a tool to educate, to create discipline, and to prevent violations or repeat offences. The respondents also agree the application of punishment in the form of financial and non-financial sanction. They expected that these sanctions can be undertaken strictly appropriate with rules and size of offences by considering equity without discrimination. Regarding kind of punishment, this study

underlines that only 27 percent of respondents require the punishment in the form of financial sanction. In this context, the most kind of sanction refers to the non-financial sanction by figure at almost 73 percent. From this ratio, 64 percent of respondents agree the non-financial sanction in the form of social sanction. The rest, around 25 percent and about 11 percent are financial sanction and combination between sanctions respectively.

From the all perspectives, this study explores the agreement of respondent about the existence of rewards and punishments as forms of tax sanction. In detail, this study reveals the agreement of respondents regarding kind of rewards and punishments within the tax sanction framework. The important thing, this study clarifies the requirement regarding social sanction as form of non-financial sanction of both rewards and punishments.

Insights from the in-depth interview

In depth interview study regarding reward and punishment toward government, state enterprise, and private employees was conducted in Indonesia in 2015 (Rahman, 2017). This study identifies the agreement and expectation of respondents regarding rewards and punishments as kinds of tax sanction to improve tax morale. This study highlights the internal and external factors affecting tax morale. For internal factor, respondents agree about the tax knowledge, understanding tax income rules and tax expectation as factors influencing their tax morale. In the side external factors, respondents agree regarding the easiness in paying tax, benefit from paying taxes, clarity in utilization of tax revenue, and balancing in right and obligation within taxation as factors affecting their tax morale.

The important thing from this study, respondents agree that rewards and punishments can be used to increase motivation in fulfilling the tax obligations. This study identifies the agreement of respondents about the reward as a tool to increase, to maintain, and to appreciate the intrinsic motivation. Moreover, this study underscores the reward as a kind of return of public money, giving benefit for taxpayers, and a manifestation of reciprocal benefit. In detail, this study highlights the kind of rewards that should be given to motivate the taxpayers, namely incentive, subsidy, prizes of both money and vacation including special certification and ease in getting public services.

On the other hand, this study also explores the agreement and expectation of respondents regarding punishments. In this context, this study

explores the agreement of respondents regarding punishment as a tool to increase and to maintain the intrinsic motivation, to create the discipline of taxpayer, to educate taxpayers, to give a sense of shame, to give a deterrent effect, to prevent the recurrence of violations, to prevent offences, and to increase tax compliance. Furthermore, I identify the kind of punishments such as fine sanction, interest sanction, increment sanction, confinement sanction, and imprisonment sanction. Interestingly, I find the requirement of respondents regarding social sanction, as kind of punishment beside the administrative and criminal sanctions.

The study highlights the unease in getting public services as a kind of social sanction. Others are namely: conducting social works by a duty to clean-up inside and outside area of their workplaces within a certain time; prohibiting family members of violator to apply as a civil servant or an employee in the government sectors; judging offenders by the people aggrieved; displaying a recent photo when the violators convicted; publishing violator face in television and on the streets including the boards; putting a statement of ex-corrupor on the identity card; prohibiting offenders to use private vehicles, except public transport; putting a picture of violator regularly in the print and mass media; reminding religious punishments for offenders such as the severe punishment in the judgment day; carrying out social workers to help people around, such as working in orphanages, nursing homes, and other social institutions; undertaking a rough job in workplaces of violator such as serving their staff, cleaning regularly the toilet, floor, and kitchen; creating a website that contains all data about offenders and their families; making a monument with the names of offenders and their complete profiles; cleaning all public facilities such as markets, terminals, sports fields, and others with wearing specific clothes; conducting parade around town in order to show the offenders to the community; working in oil palm plantations; cleaning rubbish and canals in the main streets in large cities; broadcasting all social activities routinely in both electronic and print media; prohibiting for children of violators to study in government schools; and providing a certificate as an offender and then database of offenders are distributed throughout to all offices of both government and private sectors.

From the all perspectives, this study reveals the agreement of respondents regarding the purposes of application of rewards and punishments. Furthermore, this study succeeds to explore the kind of rewards and punishments from

the side of respondents. In the context of reward, I obtain the specific non-financial reward as a kind of social sanction, namely ease in getting public services. At the same time, I also highlight the unease in getting public services as a kind of social sanction proposed by respondents.

Insights from the simulation or game

The study through simulation or game toward taxpayers employed in public sectors regarding the effect of reward and punishment on the potency of cheating in reporting annual tax return is conducted in Indonesia in 2015 (Rahman, 2017). In the side of reward, this study succeeds to uncover the role of rewards to decrease cheating in the annual tax return. This study also underscore the kind of rewards based on preference of respondents, namely: 1) cash money worth almost 50% of tax payable (10.67%); 2) government would bear expenses of holidays abroad worth almost 50% of tax payable (5.78%); 3) government would bear expenses of domestic tourism worth almost 50% of tax payable (3.56%); 4) tax refund worth almost 50% of tax payable (8.00%); 5) tax discount for the next month worth almost 50% of tax payable (5.78%); 6) shopping voucher worth almost 50% of tax payable (3.11%); 7) certificate of appreciation would be directly by president&pinned the eagle gold pin (4.00%); 8) subsidy for housing worth almost 50% of tax payable (14.22%); 9) subsidy for health worth almost 50% of tax payable (14.67%); 10) subsidy for education worth almost 50% of tax payable (15.56%); and 11) subsidy for health insurance worth almost 50% of tax payable (14.67%).

Referring this result, 96 percent of respondents require the rewards in the form of extrinsic reward such as money, holiday, tax refund, tax discount, voucher, and subsidy. This study also notes the requirement of respondents regarding non-financial reward as a form of social sanction (4 percent).

Unfortunately, the role of punishments could not be seen in this study. The number of cheating remains highly. This result can be tolerated because of the failure of administrative and criminal sanction in reality and social sanction as 'a new' in the frame of tax sanction. On the other hand, this study identifies the kind of punishments associated with preference of respondents that can be presented as follows: 1) paying payable amount of tax plus interest (17.04%); 2) paying tax payable plus a fine of amount, which would be four times the tax payable (13.33%); 3) for mild cases, confinement sanction for around one year (11.11%); 4) for severe cases, imprisonment sanction for at least 30 years

(14.07%); 5) Social sanction by conducting 'rough work' in the offender office within a certain period of time and wearing a "tag" mentioning words "tax offender" (13.33%); 6) Social sanction by carrying out social works in social homes, nursing homes, and others within a certain period of time and wearing a "tag" mentioning word, "tax offender" (12.59%); 7) getting simultaneous imprisonment and social sanction, such as, undertaking social works in the morning until late afternoon while wearing a "tag" mentioning words, "tax offender", after that, in the night, the offender stays in the prison. (18.52%) According to the result, 94 percent of respondents require tax sanctions in the form of non-financial sanction such as confinement sanction, imprisonment sanction, social sanction and mix between social sanction and imprisonment sanction. From this figure, social sanction becomes a main preference (around 37 percent). The rests are about 36 percent and 26 percent for confinement/imprisonment and mix-sanction respectively.

Referring the results of online study, in-depth interview, and simulation or game, I conclude that the future innovations should be conducted by changing the concept of tax sanction into the social sanction in the scheme of rewards and punishments. Therefore, as a policy implication, I develop a model by promoting rewards and punishments in the form of ease and unease, as kinds of social sanction, in getting public service for obedient and non-obedient taxpayers focusing on employees in public sectors.

ii. Formulation of problem tree

Problems tree visually shows the causes and effects of existing problems in the project area, in the form of a problem tree. It clarifies the relationships among the identified problems (Green and Silverman, 1994). Problem analysis is a method for graphically displaying the problem environment to which a set of project objectives is responding (Masahiro, 2004, Scarvada et.al, 2004). In other words, problem analysis is conducted to comprehend current situation by analyzing the existing problems in the area according to cause-effect relationship and to show in the form of a Problem tree. Roots represent causative factors and branches represent consequent effects. One problem in a tree is one of the causes of the problem located on the top as well as the effect of the problems located below (Masahiro, 2004, Duffy et. al, 2012).

In this sub section, I develop a problem tree by considering the antecedent research. I initiate by determining the main problem. According to previous study, I identify the low effect of tax sanction on tax morale by effect at around 6 percent.

The low effect causes the low intrinsic motivation to fulfill the tax obligations (tax morale) derived from the low tax knowledge, low understanding rules, and low tax expectation.

Therefore, I indicate the low effect of tax sanction as the main problem in this context. The structure of problem tree can be demonstrated as following figure:

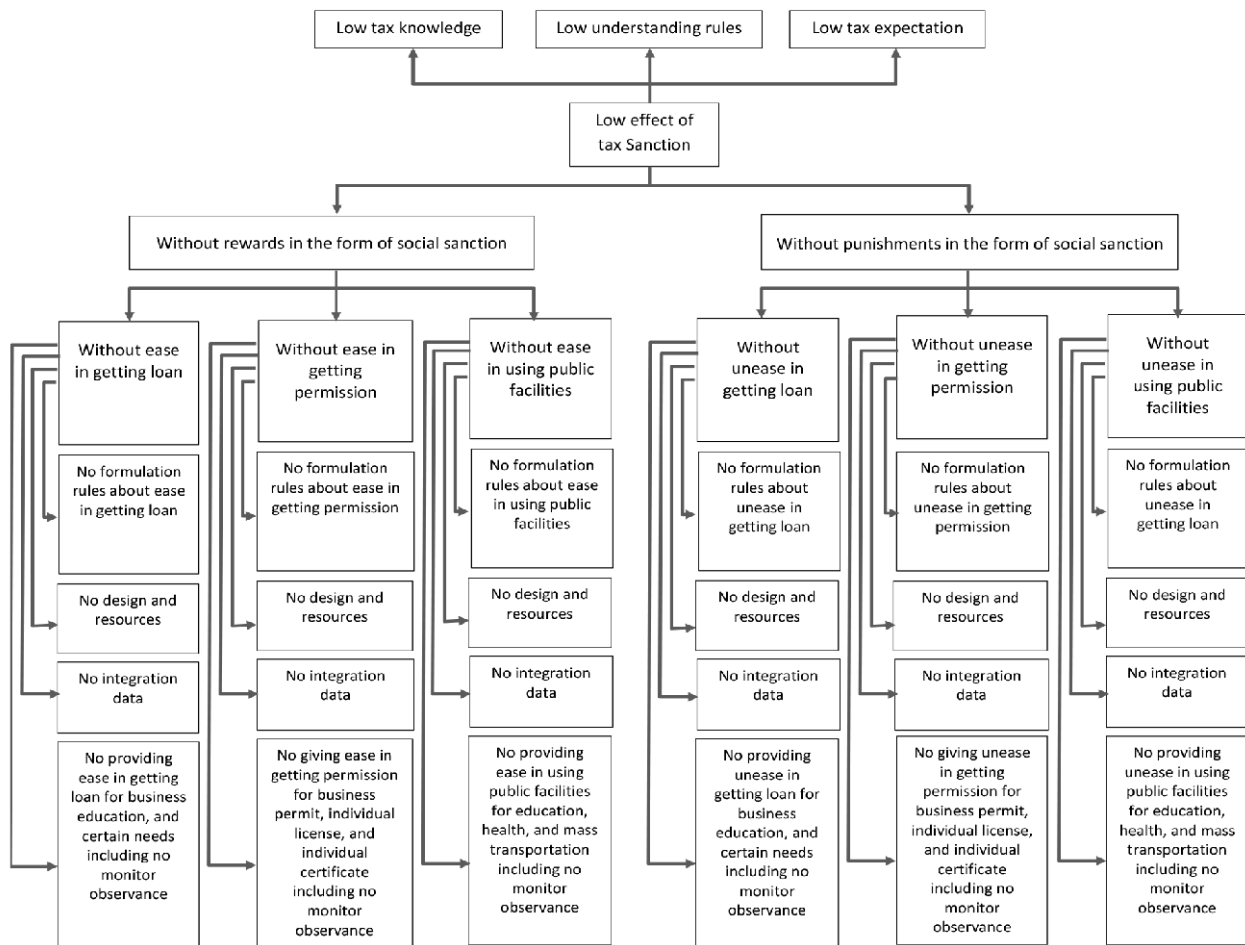


Figure 1. Problem tree related to tax sanction focusing on reward, and punishment

From figure 1, I look at that the low tax knowledge, low understanding rules, and low expectation (branches) represent consequent effects from the main problem, namely low effect of tax sanction. On the other hand, the existence of condition of tax sanction without rewards and punishments (social sanctions) and roots below represent causative factors.

I identify the low effect of tax sanction as the main problem because of the absent of both rewards and punishments in the form of social sanction within the scheme of tax sanction in Indonesia. In this context, the absent of rewards and punishments derives from situations without both ease and unease in getting loan, in getting permission, and in using public facilities for non and obedient taxpayers employed in public sectors. These conditions occur because of the absence of formulation of rules, design & resources, and

integration data regarding both ease and unease in getting loan for business, education, and certain needs; in getting permission for business permit, individual license, and individual certificate; and in using public facilities for education, health, and mass transportation including the absence of monitor observance for all activities.

Based on this problem tree, for the next step, I construct the objective analysis that can be elucidated in section 2.2.

a. Project Preparation: Phase 2, Objectives analysis

Referring the previous result regarding problem analysis, as a next phase, I carry out the objective analysis, at the beginning, by formulating model of project in sub section 2.2.1. Furthermore, I design the objective tree appropriate with the designed problem tree in sub section 2.2.2.

i. Model development

Based on aforementioned theoretical foundation and empirical studies, I develop a model that can be shown in the following figure 2.

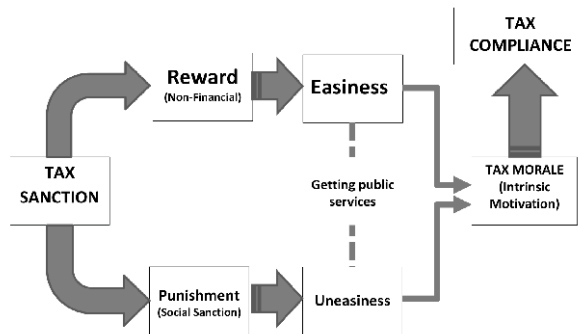


Figure 2. Model of reward and punishment associated with tax morale and tax compliance

This model is built by referring of principle of right and obligation in taxation. Basically, in taxation, beside the obligation of society to pay and to report it, as a taxpayer, society has a right in getting the benefit of tax paid such getting public services. I promote the rewards in form of non-financial because they are simple to realize for initial step. On the other hand, I focus on uneasiness as a kind of punishment because the previous studies view the social sanction as a form of punishment beside administrative and criminal sanction. Overall, as initial stage, I determine the easiness and uneasiness in getting public services as a kind of reward and punishment to increase the intrinsic motivation (tax morale) of taxpayers in fulfilling their tax obligations. As consequence, if tax morale increase, automatically, the tax compliance will enhance.

In addition, this model is proposed because in Indonesia, the relationship between taxpayers and the government is similar with the relationship between consumers and companies. Recently, the situation in Indonesia is that society fund the government for developments, maintenances, and providing public services. This is because almost 70 percent of government income comes from taxation. This condition is not far from the company context, in which consumers fund the company and as a result the company assumes consumers as a customer that should be satisfied and as soul for company income.

I expect that the concept of taxpayers as a customer satisfied could be implemented in tax sectors. People who have paid taxes and submitted tax report get rewards in the form of privilege in

getting public services such as easiness in getting permission, driving license, loan from banks, public school and hospital, certificate of birth, and marriage, and others. On the other hand, people identified have not paid taxes and reported them will be imposed with uneasiness and difficulty to access and to obtain public services until they have finished all matters related to tax obligations. By implementation of this concept, I expect the tax morale to be increase significantly and followed by the growth of voluntary compliance.

ii. Formulation of objective tree

Objective tree illustrates the future situation that would be achieved by solving the problems, in which it converts negative current situations described in a problem tree into positive future situations as their solutions (Masahiro, 2004). Considering developed model, firstly, I start the formulation of objective tree by determining the high effect of tax sanction as the goal that would be attained and application of both rewards & punishments in the form of social sanction as the purposes, as solution to achieve it. These goal and purposes are expected to produce the high tax knowledge, high understanding rules, and high tax expectation (as dimensions of tax morale). Secondly, I restate all negative statements of the problem tree into positive statements that are desirable and realistically achievable.

In the side of means-ends relationship, one objective in the tree is one of the means of the objective located above as well as the end of the objectives located beneath. For example, the application of both rewards and punishments in the form of social sanction will be a **means** to achieve the high of tax sanction when the implementation of both ease and unease in getting loans, in getting permissions, and in getting public facilities **ends**. This logic is also applicable for other roots. In the side of 'if-then' relationship, the objective tree means that **if** the lower level objectives are accomplished out (for instance application of both rewards and punishments), **then** the upper level objectives would be achieved (high effect of tax sanction). Again, this logic can be applied for others roots.

Based on the formulated objective tree, furthermore, I select the application of both rewards and punishments in the form of social sanctions as projects to achieve the high effect of tax sanction. The illustration about it can be illustrated as following figure:

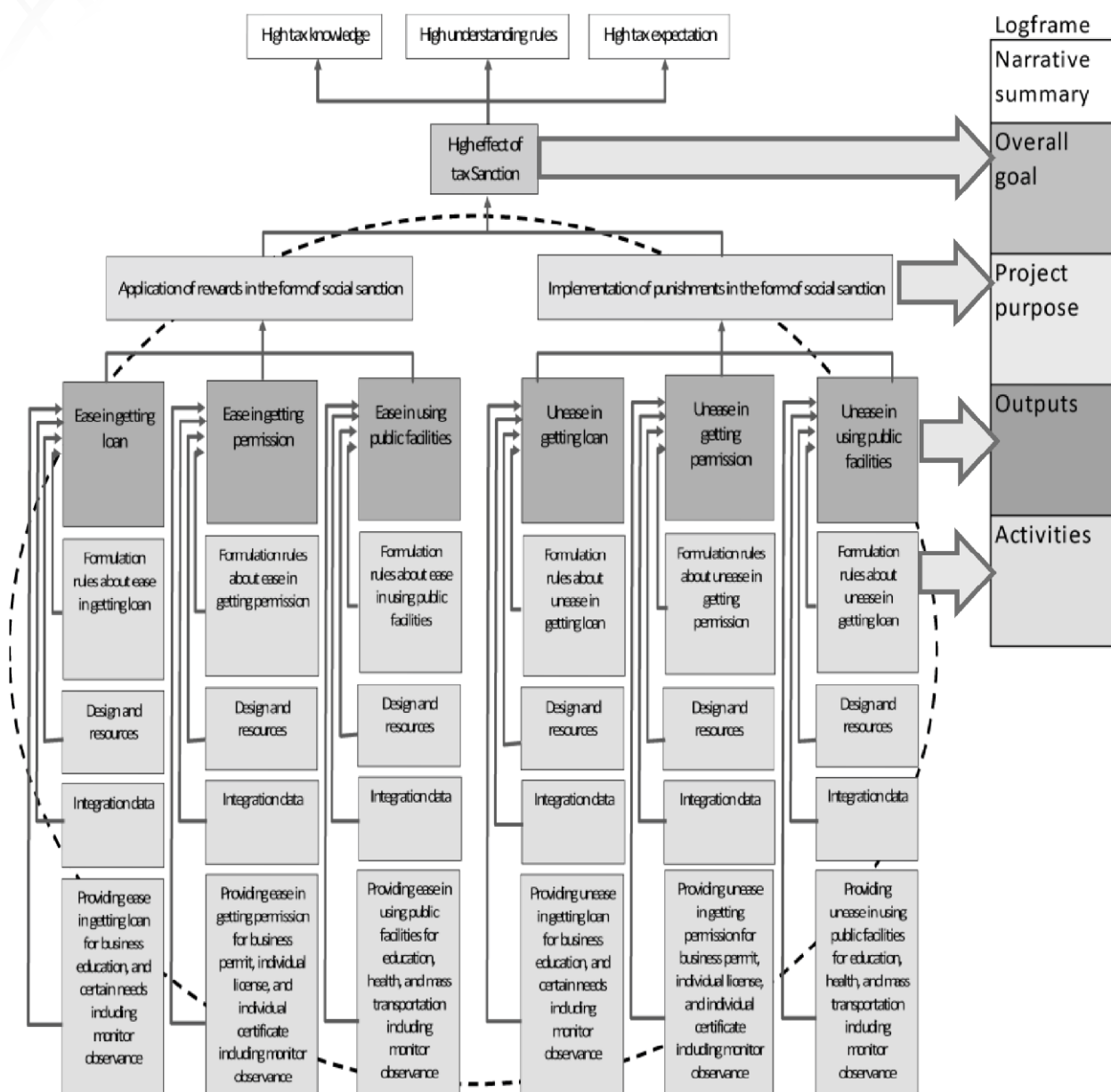


Figure 3. Illustration in determining project

Referring figure 3, I focus on the projects, in which high effect of tax sanction as goal and application of both rewards and punishments in the form of social sanction as purposes of project. These purpose will be achieve by output of both ease and unease in getting loans, in getting permissions and in getting public facilities.

In this context, the output will be obtained by conducting formulation of rules, design & resources, integration data, and service activities. These activities are carried out within the frame of ease for obedient taxpayers and unease for non-obedient taxpayers to obtain public services such as getting loans for business, education, and certain needs;

getting permissions for business permit, individual license, and individual certificate; and using public facilities for education, health, and mass transportations.

C. PROJECT DEVELOPMENT BY PROJECT DESIGN MATRIX (PDM)

Based on the concept of PDM and by considering the result of problem and objective analysis, and referring model proposed, as an initial step, firstly, I develop the structure of narrative summary in the planning perspective that can be shown in the following figure:

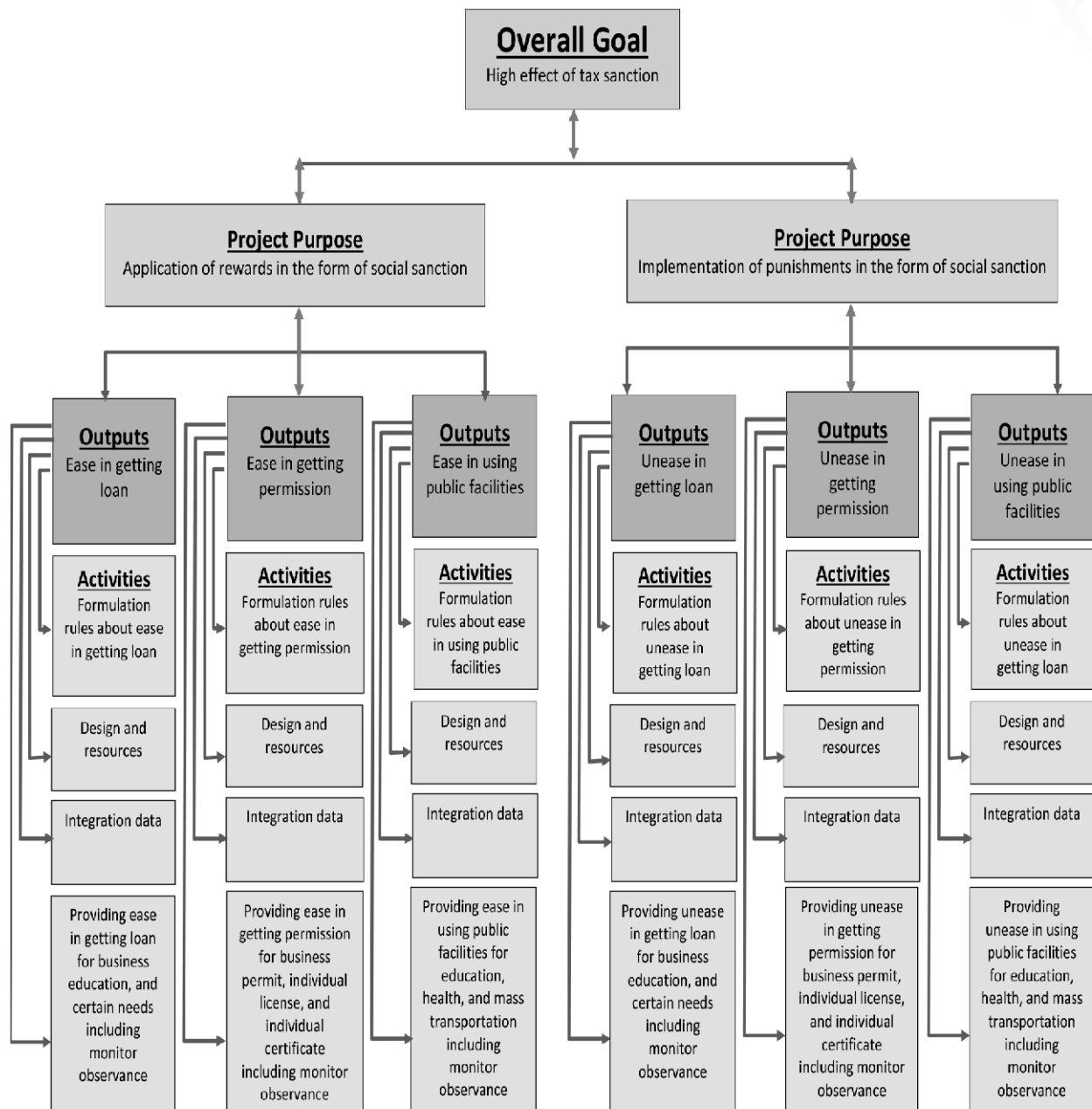


Figure 4. The structure of narrative summary in the planning perspective

According to figure 4, the high effect of tax sanction as an overall goal is realized by determining the project purposes involving application of both rewards and punishments in the form of social sanction. Afterward, outputs of project covering both ease and unease in getting loan, in getting permission, and in using public facilities for non-obedient and obedient taxpayers employed in public sectors respectively are identified by referring these project purposes.

Finally, the outputs are manifested through of a set of activities such as formulation rules, design and resources, integration data, and providing both ease and unease activities including monitor observance.

Secondly, I construct the flow of narrative summary in the perspective of application that can be illustrated in the following figure:

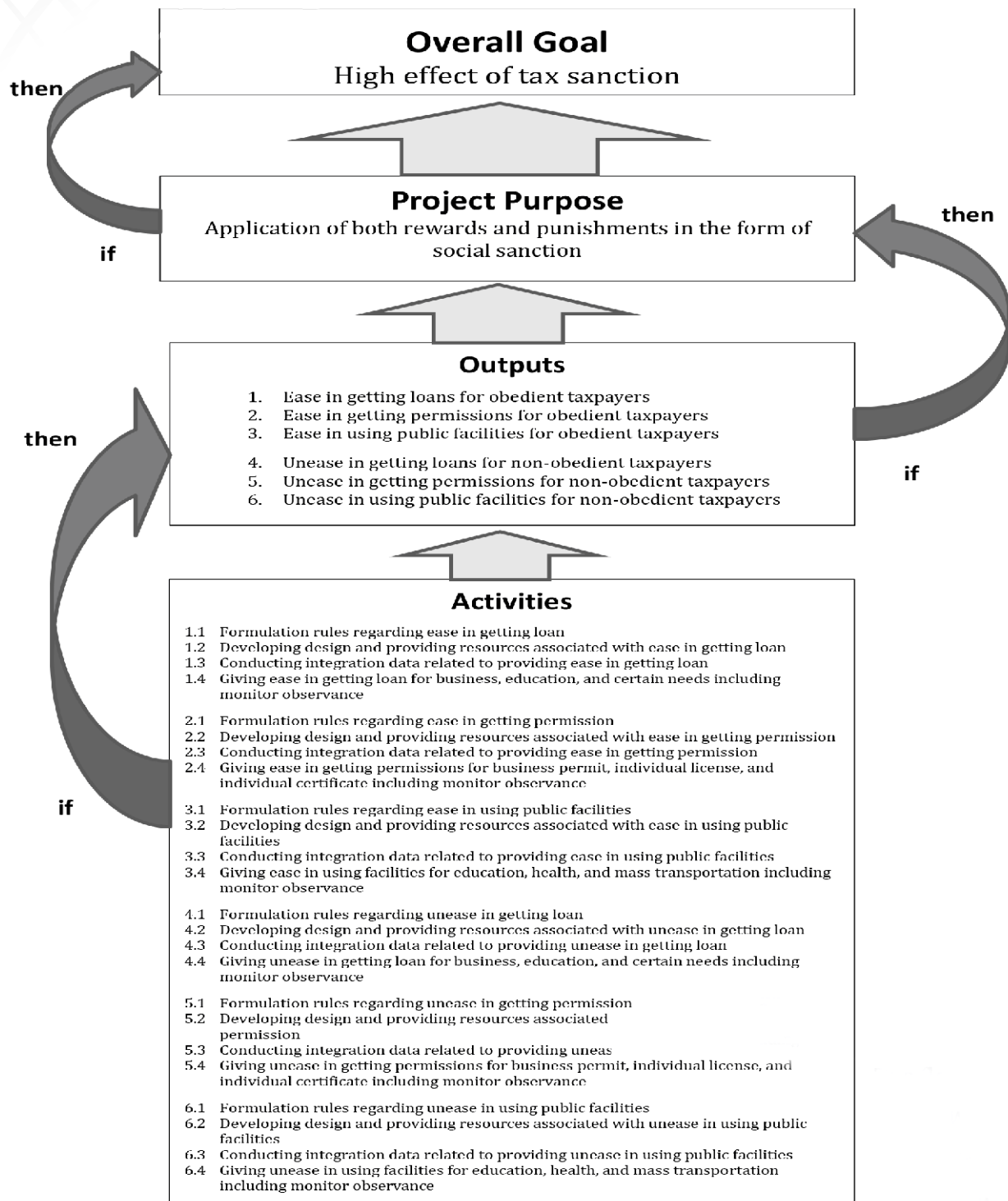


Figure 5.The flow of narrative summary in application perspective

Figure 5 tell us about the flow of narrative summary in the application perspective. In this context, if the activities consisting of formulation rules, design and resources, integration data, and providing both ease and unease activities including monitor observance have conducted, then outputs of project covering both ease and unease in getting loan, in getting permission, and in using public facilities for non-obedient and obedient taxpayers employed in public sectors respectively will be

attained. If outputs have succeeded in realization, then project purposes involving application of both rewards and punishments in the form of social sanction to be reached. Finally, if project purposes have accomplished, then overall goal regarding the high effect of tax sanction can be achieved.

Thirdly, I design the narrative summary within the frame of “if-then logic” associated with important assumption that can be presented in the following figure:

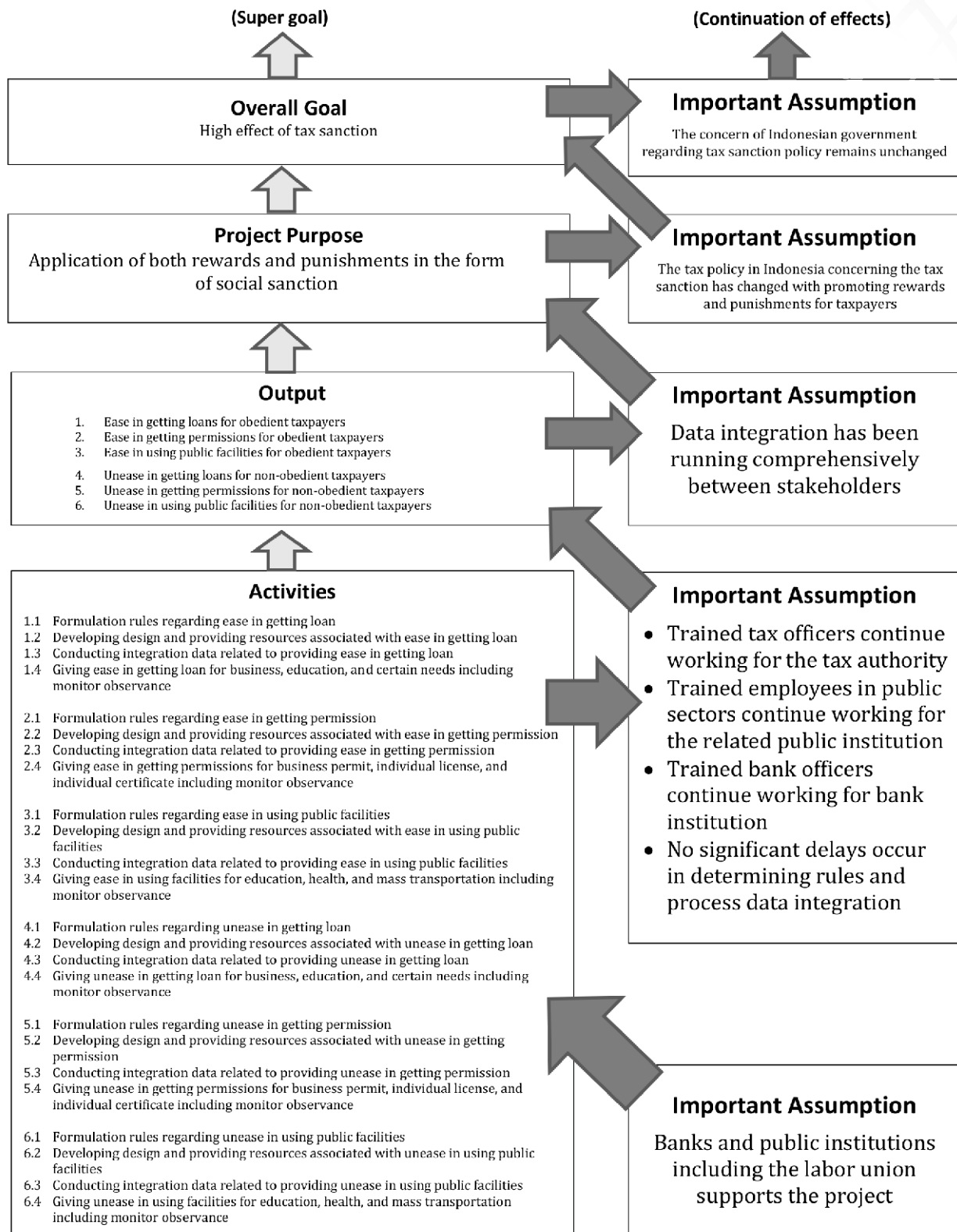


Figure 6. The causal logic of narrative summary within the frame of “if-then logic” and important assumption

According to figure 6, the activities consisting of formulation rules, design and resources, integration data, and providing both ease and unease activities including monitor observance will be running if pre-conditions regarding supports to the project from the related public institutions and bank including the labor union are fulfilled.

Furthermore, if activities are undertaken by considering important assumption such trained tax officers continue working for the tax authorities, trained employees in public sectors continue working for the related public institutions, trained bank officers continue working for bank institutions, and no significant delays occur in determining rules

and process data integration, then outputs of project covering both ease and unease in getting loan, in getting permission, and in using public facilities for non-obedient and obedient taxpayers employed in public sectors respectively will be attained.

Moreover, if outputs are obtained associated with the important assumption that data integration has been running comprehensively between stakeholders, then project purposes involving application of both rewards and punishment in the form of social sanction will be reached. Finally, if project purposes are accomplished in line with important assumption that the tax policy in

Indonesia concerning the tax sanction has changed with promoting rewards and punishments for taxpayers, then the overall goal regarding the high effect of tax sanction will be achieved. If the flow continues with the overall goal by assumption that the concern of Indonesian government regarding tax sanction policy remains unchanged, then the super goal will be reached.

Finally, to wrap up all perspectives, I formulate the matrix of project of reward and punishment that can be described in the following table:

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions
Overall Goal High effect of tax sanction	The effect of tax sanction of taxpayers employed in public sectors in Indonesia increase from 6.4% to 13% by the year of 2019	1. Imposing tax sanction for taxpayers employed in public sectors records (tax sanction reports) 2. Effect of tax sanction focusing taxpayers employed in public sectors survey records	The concern of Indonesian government regarding tax sanction policy remains unchanged
Project Purpose Application of both rewards and punishments in the form of social sanction	1. Application of rewards for obedient taxpayers employed in public sectors in Indonesia reaches more than 80% by the year of 2019 2. Implementation of punishments for non-obedient taxpayers employed in public sectors in Indonesia achieves over 90% by the year of 2019	1.1 Distribution of rewards for obedient taxpayers employed in public sectors records (report) 1.2 Distribution of rewards for obedient taxpayers employed in public sectors records (monitoring) 1.3 Application of rewards for obedient taxpayers employed in public sectors questionnaire survey results (monitoring) 2.1 Distribution of punishments for non-obedient taxpayers employed in public sectors records (report) 2.2 Distribution of punishments for non-obedient taxpayers employed in public sectors records (monitoring) 2.3 Implementation of punishments for non-obedient taxpayers employed in public sectors questionnaire survey results (monitoring)	The tax policy in Indonesia concerning the tax sanction has changed with promoting rewards and punishments for taxpayers

Outputs 1. Ease in getting loans for obedient taxpayers 2. Ease in getting permissions for obedient taxpayers 3. Ease in using public facilities for obedient taxpayers 4. Unease in getting loans for non-obedient taxpayers 5. Unease in getting permissions for non-obedient taxpayers 6. Unease in using public facilities for non-obedient taxpayers	1. Over 80% of obedient taxpayers employed in public sector in Indonesia get loans by 2019 2. Over 80% of obedient taxpayers employed in public sector in Indonesia obtain permissions by 2019 3. Over 80% of obedient taxpayers employed in public sector in Indonesia dealt with using public facilities by 2019 4. Over 90% of non-obedient taxpayers employed in public sector in Indonesia could not get loans by 2019 5. Over 90% of non-obedient taxpayers employed in public sector in Indonesia could not obtain permissions by 2019 6. Over 90% of non-obedient taxpayer employed in public sectors in Indonesia could not deal with using public facilities by 2019	1. Distribution of loans for obedient taxpayers employed in public sector in Indonesia records (result of internal report and observation by the examiner) 2. Distribution of permissions for obedient taxpayers employed in public sector in Indonesia records (result of internal report and observation by the examiner) 3. Distribution of using public facilities for obedient taxpayers employed in public sector in Indonesia records (result of internal report and observation by the examiner) 4. Distribution of absence of loans for non-obedient taxpayers employed in public sector in Indonesia records (result of internal report and observation by the examiner) 5. Distribution of absence of permissions for non-obedient taxpayers employed in public sector in Indonesia records (result of internal report and observation by the examiner) 6. Distribution of absence of using public facilities for non-obedient taxpayers employed in public sector in Indonesia records (result of internal report and observation by the examiner)	Data integration has been running comprehensively between stakeholders
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Activities	Inputs	
<p>1.1 Formulation rules regarding ease in getting loan</p> <p>1.2 Developing design and providing resources associated with ease in getting loan</p> <p>1.3 Conducting integration data related to providing ease in getting loan</p> <p>1.4 Giving ease in getting loan for business, education, and certain needs including monitor observance</p> <p>2.1 Formulation rules regarding ease in getting permission</p> <p>2.2 Developing design and providing resources associated with ease in getting permission</p> <p>2.3 Conducting integration data related to providing ease in getting permission</p> <p>2.4 Giving ease in getting permissions for business permit, individual license, and individual certificate including monitor observance</p> <p>3.1 Formulation rules regarding ease in using public facilities</p> <p>3.2 Developing design and providing resources associated with ease in using public facilities</p> <p>3.3 Conducting integration data related to providing ease in using public facilities</p> <p>3.4 Giving ease in using facilities for education, health, and mass transportation including monitor observance</p> <p>4.1 Formulation rules regarding unease in getting loan</p> <p>4.2 Developing design and providing resources associated with unease in getting loan</p> <p>4.3 Conducting integration data related to providing unease in getting loan</p> <p>4.4 Giving unease in getting loan for business, education, and certain needs including monitor observance</p> <p>5.1 Formulation rules regarding unease in getting permission</p> <p>5.2 Developing design and providing resources associated with unease in getting permission</p> <p>5.3 Conducting integration data related to providing unease in getting permission</p> <p>5.4 Giving unease in getting permissions for business permit, individual license, and individual certificate including monitor observance</p> <p>1.1 Formulation rules regarding unease in using public facilities</p> <p>1.2 Developing design and providing resources associated with unease in using public facilities</p> <p>1.3 Conducting integration data related to providing unease in using public facilities</p> <p>1.4 Giving unease in using facilities for education, health, and mass transportation including monitor observance</p>	<p>Manpower</p> <p><i>Long-term experts</i></p> <p>Project leader</p> <p>Project coordinator</p> <p>Taxation skill trainer</p> <p>Computer hardware skill trainer</p> <p>Computer software skill trainer</p> <p>Maintenance mechanic</p> <p>Operational and management expert</p> <p>Clerk, secretaries, etc</p> <p><i>Short-term experts</i></p> <p>Inspection expert</p> <p><i>Equipment</i></p> <p>Data from banks</p> <p>Data from public institutions</p> <p>Data from tax authorities</p> <p>Computers</p> <p>Local area networks (LAN)</p> <p>Servers with high capacity</p> <p>Fiber optics</p> <p>Integrated data report and input application software</p> <p>Maintenance equipments, including spare parts, etc</p> <p><i>Facilities</i></p> <p>Input data facility</p> <p>Reporting data facility</p> <p>Training facility</p> <p>Maintenance facility</p> <p><i>Local cost</i></p> <p>Project operation and management cost</p>	<ul style="list-style-type: none"> • Trained tax officers continue working for the tax authorities • Trained employees in public sectors continue working for the related public institutions • Trained bank officers continue working for bank institutions • No significant delays occur in determining rules and process data integration

C. CONCLUSION AND RECOMMEN-DATION

This study offers a meaningful contribution to research and practice. Although, it is recognized that tax sanction plays an important role in influencing the tax compliance, the antecedent empirical studies focusing taxpayer employed in public sectors identify the low effect of this variable on both tax morale and tax compliance. To address this gap, this study focuses on developing a model of social sanction besides criminal and administrative sanction within the frame of tax sanction.

This study formulates the project of reward and punishment in the form of ease and unease, as kinds of social sanction for obedient and non-obedient taxpayers employed in public sectors by using Project Design Matrix (PDM) approach. There are eight steps in this approach. As initial attempts, the study constructs the PDM focused on the problem analysis, objective analysis, and determining matrix of project design.

This study starts with the problem analysis, in which it is determined that the low effect of tax sanction as the central problem. This major issue is caused by the nothingness of both rewards and punishments in the form of ease and unease in getting loan, in getting permission, and in using public facilities for non-obedient and obedient taxpayers employed in public sectors. These conditions occur because of the absence of rule formulation, of design & resources, of integration data, and of providing ease and unease in getting loan for business, education, and certain needs; in getting permission for business permit, individual license, and individual certificate; and in using public facilities for education, health, and mass transportation including the absence of monitor observance for all activities.

Referring the problem analysis, this study then performs the objective analysis to define the objective of project. In this context, the study points out the high effect of tax sanction as a goal and the application of both rewards and punishments in the form of social sanction as purposes of project. These purposes will be achieved by output of both ease and unease in getting loans, in getting permissions and in getting public facilities. In a practical sense, the output will be obtained by conducting formulation of rules, design & resources, integration data, and service activities. These activities are carried out within the frame of ease for obedient taxpayers and unease for non-obedient taxpayers to obtain public services such as getting loans for business, education, and certain needs; getting permissions for business permit, individual license, and individual certificate; and using public facilities for education, health, and mass transportations.

Finally, the study design the matrix of project by considering the result of objective analysis (overall goal, project purpose, outputs, and activities), objectively verifiable indicators, means of verifications, and important assumptions including inputs and pre-conditions.

As recommendations, I suggest the government to disseminate this project comprehensively and regularly through electronic, mass, and printed media. As an initial endeavor, this project is applied firstly for employees in public sectors, as a model. Subsequently, this program is implemented for all taxpayers. The important thing to note, the successful of reward and punishment project in the form of easiness and uneasiness for obedient and non-obedient taxpayers employed in public sectors depends on the seriousness and strong commitment of government in taxation.

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