Collective action in action

As discussed above, the principal-agent framework is not fit to analyze the issue of governance and corruption. On the contrary, the benefit of corruption is concentrated and immediate while the cost is diffused across society, leading to a classic collective action problem. Given the cynicism and mistrust that corruption breeds in a society, an individual may rationally ask himself why he should stay clean while his neighbors are not. Why play by the rules when no one is? Therefore, even when the entire society detests corruption and when the majority of the government is honest men, the problem persists in a wretched equilibrium. As a public good, fighting corruption will always suffer from free-riding and be in short supply.

And yet there is hope. The world is not consumed entirely by corruption—collective action problem does get solved. When talking about successful anti-corruption, we have often looked to the cases of Singapore and Hong Kong—yet these are highly idiosyncratic cases of small states and strong leadership, thus significantly reduce the difficulty of societal coordination. A better source for lessons regarding country-level reform is the troubled past of today’s developed democracies. How did they muster the necessary political, the single most important ingredient identified in all evaluations of reform initiative?

As discussed above, this political will cannot arise from the public spirit alone. Instead, it takes root in a direct and immediate benefit to the stakeholders. For example, in 17th century England, unprecedented reforms, leading to the accountability of the King to the Parliament and the Electors, are not good-willed proposals but political tools of the elites to protect their own interests. Similarly, when 19th century United States is captured by powerful machine boss, the anti-corruption zeal was fueled by bitter political fight between power holders: the old political bosses and their immigrant voters, or the new property owners and businessmen, who became disgruntled with increasing graft (Johnston, anti-corruption in transitioning societies). Sweden, an immaculate example of public integrity today, revamped the education and civil service not only because these are good ideas in themselves, but because they cater to the immediate interest of new constituencies, including small businesses, technocrats, and the rising middle class.

The lesson to be drawn from all of these cases is that reform does not materialize because it is good for the public, but because it is good for a cohesive group with a strong enough political power to push it through. Where the conditions exist for the emergence of such group(s), there is a chance for reform to sustain and succeed.

What does it mean for reform in Asia today? The tale of two countries, Indonesia and Vietnam, illuminates how the existence of political support for reform is the fundamental prerequisite.

Indonesia’s success

After the fall of President Suharto in 1998, Indonesia underwent major reforms in all aspects of state institutions, including basic political foundation such as the electoral system and an independent judiciary, as well as bureaucratic reform such as a consultative budget process and tight fiscal rules (Indonesia’s story).

But nothing exemplifies the reform success as the near 100% conviction rate of the newly created Corruption Eradication Commission (KPK). This impressive statistic is not accomplished by going after only small fish—on the contrary, the KPK has successfully prosecuted senior parliamentarians, bureaucrats, police officials, and business people.

It must be noted that these reform measures succeeded thanks to the convergence of various factors that leads to strong political will. First, during Suharto’s rule, a thick network of civil society was allowed to exist. At the start of reform, there are already more than 11,100 functioning civil societies, including two largest mass-based Muslim organizations in the world. These organizations have had years of successful operations, which is crucial to facilitating trust and coordination among people. Second, Indonesian reformers pursued “accommodative reform,” i.e. enticing old powers to join rank by giving them a share in the new pie. For example, while new parties are facilitated, the old party of Suharto was not abolished. The decentralization effort does empower the local governments, but also offers rent-seeking opportunities for local elites. These are not first-best reforms, but without the compromise any reform would not be possible at all.

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Despite these successes, the KPK has been surrounded by ugly political battles, reminding us that anti-corruption encroaches upon the interests of powerful groups that are determined to maintain their stranglehold. In 2009, the KPK and the traditional police department attacked each other, leading to a series of arrests against KPK leaders and releases of wiretap evidence against the Chief Detective. The KPK also faced great challenge from the Parliament, which, in 2009, tried to restrict the wiretap ability of the KPK and remove the national corruption court with provincial courts, and in 2011, attempted to reduce the amount of jail time for graft offenders.[[1]](#footnote-1)

Throughout the saga, it is the Indonesian people who played a crucial role in protecting the effectiveness of reform. During the 2009 fight between the KPK and the police department, mass protests in urban centers and virtual domains (1 million online petitions were registered) led to the release of two leading KPK investigators. Even more admirably, the political will has maintained its strong current until today. In 2012, as the Parliament repeatedly stymied the KPK’s request for funding, millions of ordinary Indonesians pledged to donate their little money to the agency.[[2]](#footnote-2) A campaign that urged President Yudhoyono to support the KPK in its investigation of the multibillion rupiah also potentially reached more than 9.4 million internet users.[[3]](#footnote-3)

Case of Vietnam

Prompted by a 1997 rural unrest in Thai Binh against misuse of infrastructure fund, Vietnam implemented its own “grassroots democratization” as an anti-corruption initiative, epitomizing the “demand-side” approach to governance sans the vocabulary. The policy includes three prongs of approach: greater transparency (i.e. publishing local budget allocations), greater participation (i.e. incorporating citizens’ input in budget planning), and greater monitoring (i.e. allowing citizens to file complaints against local officials.) (as encapsulated in the slogan dân biết, dân bàn, dân làm, dân kiểm tra)

However, this implementation of this initiative fell flat with little participation from the citizens. Vietnam’s political landscape is marked by the dominance of executive power over the legislative and the judicial branch, leading to reasonable doubt about the possibility of sanctioning administrators based on their failure to deliver public services as prescribed by law. Furthermore, under the shadow of a strong state, Vietnam’s civil society is also very weak, with the majority of popular organizations coopted under the banner of the state-funded Vietnam Father Front (Misery, 18). The resulting apathy is hardly surprising—interview with local people show that, despite the greater opportunities to exercise their democratic rights, the villagers were only concerns if their personal livelihood was jeopardized (land use rights, commune’s social security fund.) Many commented that they did nothing with regards to corruption because nothing would change old ways.[[4]](#footnote-4)

What to do? Indicator and Benchmark

As expounded in this section, the political will for reform, the single most important ingredient, is greatly contingent upon the political structure of the country. A reform initiative, one that spans five or even ten years, would not be able to alter the country’s power relation, or to rebuild its social trust and civil society. This poses a dilemma for the development community: a short-term governance initiative without indigenous political will cannot work, but a long-term strategy to build the political support for reform is neither practical (given the rapid cycle of loans and projects) nor justifiable (given the messy politics that inevitably ensues).

This section will propose the use of the Indicators and Benchmarks strategy as a politically-neutral way to build the political will for reform. The crux of the strategy is to measure the governance performances of a country’s domestic units (indicators), compare them against one another (benchmarks), and publicize the result. From the demand side, by focusing on public services that have an immediate and visible impact upon the people’s welfare, the strategy can cultivate citizens’ interest in reform by demonstrating the potential gains that benefit them directly. From the supply side, by rewarding the high-performing units with recognition, this approach also entices officials to join a race to the top. At the foundation of this approach is the acute awareness that relying on public spiritedness alone is not enough—rather, we must provide and demonstrate concrete value of reform to each individual, not just to the entire society, in order to tip his cost-benefit balance into joining our cause for better governance.

Furthermore, this strategy integrates well with the existing practices and ethos of the ADB. Perhaps the most important advantage is that we can highlight positive achievement instead of “corruption,” a sensitive topic that may turn off governments’ cooperation, jeopardizing other initiatives. Second, the ADB is already proficient in creating performance index such as this one, which shares many aspects with the Public Expenditure Tracking Survey (PETS), Doing Business Survey, and Community Score Card. Third, the strategy fits into a growing recognition that macro indices, such as the Corruption Perception Index or the World Governance Index, are too coarse to diagnose any problem beyond saying that there is a problem. Within the ADB, the South Asia Department already moves forward with an index of the same philosophy, comparing trade performance between specific ports, not just countries, in the region. The World Bank’s new Governance and Anti-Corruption strategy also endorses the use of “actionable governance indicators” (AGIs).

Specifics

1. Yet another index?

Numbering over 15, there is not a shortage of governance and corruption indices in existence. More worrisome yet, all of them are highly correlated, leading to the worry that much of the effort by development agencies in this regard is superfluous (IEG 2009—that review paper). And yet there is definitely a shortage of indices that are useful to policy makers. The most common complaint against the kind of macro-indicators is that there is nothing further to be done with it—country officials do not know why they get a low score, how to improve it, or whether their effort will register any change in the measure at all.

For a measurement to be useful to policy maker, it must satisfy the following criteria (Taken from Johnston 2010)

* Detailed: whole-country index is too coarse to capture the multiple dimensions of any governance issue.
* Objective: assessment must begin with verifiable evidence, and must be expressed in actual units rather than points on arbitrary scales.
* Noninvasive: the act of measurement must not bias what is being measured, and should not disrupt orderly agency functions.
* Policy-neutral
* Low cost: Since repeated assessments are essential, measurement strategies must be inexpensive.
* Valid and reliable
* Transparent and easily understood: Not only analysts and officials, but citizens and civil society groups, must be able to interpret assessments easily and accurately. The best measurements will the interpretable in terms of positive value.
* Trackable over time: Analysts and officials must be able to demonstrate progress, or lack of it, and successful leaders and managers should be able to claim credit for their accomplishments.
* Actionable: Assessments should not only show that a situation is bad or good, improving or deteriorating, but should also point directly to improvements likely to succeed.

As reviewed more extensively in Pande (part of our thematic review), aggregate macro indicators have been censured on many counts, especially for lack of details, validity, and actionability.

The basic strategy

Let’s say that we collect data on the price that hospital A, B, and C pay for the same kind of standard medical equipment. We find that their expenditures are different: hospital A consistently pays 20% more than open market price, hospital B pays about the same, and hospital C manages to pay 10% less. We conduct the same measurement on other dimension of performances. We then widely publish the result, visibly commend high performance units, and repeat the exercise annually. As the results accumulate over years, we can focus more on comparing a unit with its past performance than with its peers.

Good indicators are easy to collect, understand, and compare. In order to arouse the interest of the public, they must be directed connected to people’s daily welfare. Examples include:

* Expenditure on standard goods, such as textbook, school meal, hospital equipment
* Time needed to process routine procedures, such as license application
* Quality of infrastructure, such as road, electricity

Good benchmarks do not judge units against some ideal standards but take root in the local conditions. The best benchmark is a unit’s own past performance in order to eliminate all claims of unfair comparison and potential political tension between units. When the data remain thin, there are many alternatives, including:

* The norm of performance in other units
* Performance in the private sector (applicable to purchase of basic commodity)
* Statistical model: since a city’s infrastructure depends heavily on its initial condition or terrain, multivariate model can take into account these factors and produce an expectation of performance, against which the unit is compared

Why will this work?

Even though there is no guarantee, this approach does address the theoretical root of corruption while taking into account the practical requirements.

Theoretically, it explicitly deals with the collective action problem of corruption. As discussed earlier, people do not concern themselves with “good governance” in and of itself. On the contrary, they are most interested in their immediate likelihood. Therefore, rather than trying in vain to motivate citizens to care about the collective good, this strategy focuses on issues that can be felt privately. Conversely, neither do we idealistically rely on public-spirited officials to take on the fight. Instead, we motivate them with public recognition and its associated benefits.

Is there a risk that units will game the data? While this risk is always present and can never be fully eliminated, we can quite easily compare with the assessment of the user of the service to cross check. This has the additional benefit of measuring the thing that has the most relevance to the citizens. For example, in the PCI Vietnam, there is a question on the time required to acquire a business license. The time reported by the provinces and the businesses are widely different—the former counts when all the required forms are submitted, after which they are required by law to return the license in 5 days, the later counts when they started submitting the application. While the province does not deliberately change the data in this case, it does show that, by relying on user assessment, we can focus on dimensions that are most relevant to them.

Will the government cooperate? As with any initiative, this strategy can only be implemented if there is a strong agreement from top leadership. It does maximize the chance of cooperation, however, by clothing itself in the technical language of fact-finding instead of accountability or citizen empowerment. It does not directly demand the government to change their policies, giving them space for deliberation and choice. Furthermore, for projects such as a business survey, the government will have a direct interest in finding about their own performance in order to attract more business and revenue. The information will be the tool for the reform-minded officials to identify and push for change.

It must be made clear that, if the government is so insulated from the citizens that no amount pressure from the citizens can worry it, it will of course reject this approach. But in that situation, no approach would ever be successful anyway.

Can the ADB do it?

1. Similarities with other index:
2. Existing effort within the ADB

1. <http://blog.transparency.org/2011/07/22/indonesian-ngos-protest-an-unnecessary-revision-of-anti-corruption-laws/> [↑](#footnote-ref-1)
2. <http://www.nst.com.my/opinion/columnist/coin-by-coin-ordinary-indonesians-help-fight-graft-1.99940> [↑](#footnote-ref-2)
3. <http://www.thejakartapost.com/news/2012/11/30/taking-it-internet-people-power-20.html> [↑](#footnote-ref-3)
4. <https://www.cdi.anu.edu.au/CDIwebsite_1998-2004/vietnam/veitnam_downloads/Doung_Grassrootsdemocracypaper.pdf> [↑](#footnote-ref-4)