­Whether explicitly named or not, our current approach to governance and anti-corruption is deeply wedded to the principal-agent framework. In the supply side approach to governance, the principal is the government, which has the best interest of the country at heart, yet struggles to get the agents, which are individual bureaucrats and officials, to act accordingly. Given this line of thinking, development agencies have concentrated their efforts on helping the government improve the quality of its agent, both via better capacity development (modern budget process, staff training) and better monitoring (audit and evaluation).

Underlying this framework is the assumption of the government as a monolithic entity with a single-minded goal of improving the quality of lives for the people. Yet this assumption is not defensible. The state does not exist—there are only individual bureaucrats politicians with their own goals and interests, who are not exempt from the powerful incentive of self-enrichments. Under the pressure of the development community and in order to keep the stream of aid flowing, politicians may allow the adoption of modern bureaucratic norm while keeping the function away from serving the needs of its people.

In recent years, as developing countries adopt modern legal framework with little progress in practice, it becomes increasingly clear that this improvement in form but not function is indeed happening. Coining this phenomenon “isomorphic mimicry,” Matt Andrews points out that it is inherently hard for development agencies to extend their influence past the surface, because implementation is much less visible and because un-professionalized bureaucrats are less subject to normative pressure. In the area of public finance management, these reasons lead to the ubiquitous problem of two budgets, one real and another formal to be made public. (More details)

It must be made clear that there is nothing harmful about the adoption of best practice. Instead, the key problem is whether the government, the principal, is genuinely interested in better managing its agents. If yes, it will automatically look outward for best practices, as seen in all development miracles in history. Meiji Japan, fore example copied the best models in the Western world—Britain’s postal office, France’s police, Prussia’s army (Krause, 2013, p. 2). Likewise, in 1980s China, the idea to expose SOEs to free market mechanisms came directly from Deng Xiaoping 1978 visit to the impressive factories of Japan. However, instances of such unified political will is rare—more often, we see competing institutions in a government, each having its own agenda, not all of which are reforms to best serve the citizens.