Why does the gap exist – why external pressure does not work?

In the first paper that introduces the concept of “isomorphism” to the development world, Matt Andrews looks to sociology to explain why development institutions can induce countries into adopting the form but not the function of good governance. He identifies three factors that increase resistance to external demand for change. First, not all processes are equally visible to an external observer, passing law much more so than implementation. Indeed, when it is hard to even observe what is executed, it is nearly impossible to enforce the change that we try to induce. Second, the core of an organization, including both the value system (sociology) and the distribution of benefits (politics), is more impervious to change due to great resistance within the entity. Third, when change involves a deconcentrated group of actors, the difficulty of change is magnified greatly because normative and professional ideas are less able to travel within the organization.

All of these three factors are present as obstacles to the propagation of good governance to developing countries. Public finance management, for example, is rife with problems of opaque budget next to the real one. Any budget reform would also affect access to money, and thus the core power relation between ministries and branches of government on a large scale, raising resistance from various sectors of the government. Given these difficulties, it is no surprise that isomorphic mimicry exists: developing countries are only willing to adopt best practice in the peripheral form but not in the core function.

Implementation gap – Why change does not come from within, why there is a lack of sincerity?

Given this argument, we understand why an external imposition of best practice is not likely to work. However, left open is the question why developing countries are not willing to make these changes themselves? This willingness to genuinely mimic both in form and function is integral to all development miracles in history. Meiji Japan, in its strive toward modernization, copied the best practices in the Western world—the postal system from Britain, the police from France and the army from Prussia—and succeeded remarkably (Krause, 2013, p. 2). As ideas travel like waves, when 1980s China faced the monumental task of reforming its state-owned companies in order to resuscitate its socialist economy, the idea of exposing the SOEs to free market mechanisms (via profit retention and operational autonomy) came directly from Deng Xiaoping 1978 visit to Japan, where the efficiency and dynamism of capitalist firms left a deep impression.

Thus, it is clear that the mimicry of best practice by itself is not harmful by any means – rather it is the insincere pretension induced by conditional aid and normative pressure that leads to the problem of patchy implementation under the unblemished varnish of plan and documentation. The question then becomes, why are countries not willing to make the change themselves?

The development literature has not paid sufficient attention to this question, thus falling to the trap of thinking about development as a pure and simple principal-agent problem. It assumes that the government is a monolithic entity (the principal) with a single-minded goal of improving the quality of lives for the people. The only challenge is to get people on the ground (the agent) to implement these plans, which the ADB can help. Even the new demand-side approach, despite its appearance of subverting the emphasis from the state to the citizens, still fall into this kind of thinking. It assumes that the citizens (principal) also have an uncomplicated goal of improving governance—if only we could give them the tool to discipline the state (agent).

However, these assumptions are not defensible. The state does not exist—there are only individual bureaucrats and politicians with their own goals and interests, among which self-enrichment is a common and powerful one. The people does not exist—there are only individual business and citizen who, after self-interested calculation, decide to pay a bribe for speedy services or accept payment of vote canvassers instead of committing to the public-spirited but uncertain fight against corruption. Corruption is, therefore, a classic and wretched example of a collective action problem. The benefit of corruption is concentrated and immediate in the hand of a few powerful individuals, while the cost is diffused across society. Thus, even though the total cost to society is immensely large, no individual is incentivized enough to take up the fight against corruption, which is a public good. Indeed, 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 an unfortunate equilibrium. As a public good, fighting corruption will always suffer from free-riding and be in short supply.

All cases of reforms in history have shown that the utmost important ingredient to success is to solve this collective action problem, to build a resilient political will to reform. As discussed above, this political will cannot be arise from the public spirit alone but must be rooted in a direct and immediate benefit to the stakeholders. For example, in 17th century England, key reforms such as political accountability of the King to the Parliament and of the Parliament to the electors, are not good-willed proposals for reforms, but political tools to selfishly protect one’s own interest. Similarly, in the 20th century United States, the fight against machine bosses invoke the language of morality and anti-corruption, but beneath the surface is a bitter political fight between who can hold power: patricians, property owners, and businessmen, or the bosses and waves of immigrant voters (Johnston). Reform in Sweden, an immaculate example of public integrity today, revamps 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. Reform is rarely the result of ad hoc, intentional demand for good governance, but often come out of a political struggle for direct benefit.

This collective action framework sheds light into why some reform effort works while other ones fail. The story of Indonesia’s recent reform is a prime example. 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 and parliamentary system, as well as more legal and bureaucratic reform such as a new consultative budget process and fiscal rules to protect against corruption, the establishment of independent judiciary. (Indonesia’s story)

With regards to anti-corruption reform, the independent Corruption Eradication Commission (KPK) was a true success with sweeping investigative mandate, including the authority to wiretap conversations, freeze bank accounts, enforce travel bans, and prosecute corruption suspects (politics of reforms, 88), the KPK has had a 100 percent conviction rate until recently (when the court was decentralized – global integrity). The impressive rate of success is not accomplished by going after only small fish, the KPK has successfully prosecuted senior parliamentarians, bureaucrats, police officials, and business people.

It must be noted that these reform measures are not the result of a reform proposal made in a vacuum. Rather, it is the result of various factors converging towards the creation of the political will. First, during Suharto’s rule, a thick network of civil society was allowed to exist as long as they can be incorporated into the system. 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 building the trust and coordination among people. Second, Indonesian reformers understand the power structure in their countries and decided to pursue accommodative reform, which strive for the possible instead of the ideal. For example, the creation of opposition parties is facilitated while the old party of Suharto is not abolished. The decentralization effort does empower the local governments, but this also opens up opportunities for rent-seeking behaviors for the local elites. In other words, reform in Indonesia does not attempt to squeeze the last breath out of the politically powerful—indeed, such move would provoke insurmountable resistance that makes any reform possible at all.

Despite these successes, the KPK has been constantly surrounded with ugly political fights, reminding us that anti-corruption encroaches upon the interests of powerful groups and individuals who are determined to maintain their stranglehold. On May 2, 2009, Antasari, the head of the KPK was arrested for allegedly ordering the murder of a businessman over a triangular love affair. During his detainment, Antasari produced testimonies regarding misconduct at the KPK. The KPK retaliated against the police department with wiretap evidence of corruption, leading to the arrest of two most prominent anti-corruption officials on nebulous charge. The two officials were released only after the arrests provoked a public outrage and mass petitions. The KPK also faced great challenge from the Parliament, considered the most corrupt body in Indonesian politics, which tried to pass a bill that restrict the ability to wiretap and prosecute at discretion of the KPK and remove the national corruption court with provincial corruption court whose appointments is determined by existing district courts. After lengthy debate, the KPK retains its investigative power but witnesses the corruption court being undermined, now subject to traditional law enforcement agencies.

Throughout the saga, it is clear that the Indonesian people play a crucial role in protecting the effectiveness of the anti-corruption reform. Without their relentless effort and attention, the KPK would have fallen victims to various sabotage attempt from the police and parliaments, which, despite their slanderous tactics, suffer no consequence afterwards. Once again, it is not a given that the Indonesia people are able to overcome the collective action problem in order to jointly put pressure upon politicians. Indeed, as the case of Vietnam shows, the fact that a reform idea is good does not mean that the people would exert effort to support and implement it.

Case of Vietnam (failed implementation)

In a program that epitomizes the “demand side” approach to governance, Vietnam implemented its own “grassroots democratization” as an anti-corruption initiative (1997). The crux of the program is a high-profile policy that aims for greater transparency and local participation in local budget use. Following rural unrest in Thai Binh in 1997 against misuse of infrastructure funds, the Vietnamese Communist Party announced a national policy reform, called “grassroots democratization,” which aims to facilitate citizen “complaints and denunciations” against local corrupt officials. Three main prongs of this policy includes: greater transparency, including the publication of all laws, policies, and local budget allocations, greater participation, including the citizens’ right to discuss and have input in local budget, with an emphasis on small-scale infrastructure work, greater monitoring, which allows the citizens to police and file complaints against abuse of powers.

Do people actually converge and act together upon this task? Even if they do, do local governments feel pressured enough to make a difference? These issues lie in the political structure of Vietnam and are not malleable by any simple ad-hoc anti-corruption reform measures. The characteristics of Vietnam’s politics include the dominance of the executive over the legislative and the judicial branch, making it difficult to prosecute administrators based on their failure to deliver public goods as prescribed by law. The private sector and civil society in Vietnam remains undeveloped as the party-state dominated the political life by incorporating societies in its state-controlled organizations (Misery, 18).