INTRODUCTION

LIMITS OF GOOD GOVERNANCE IN DEVELOPING COUNTRIES

Hirotsune Kimura

1. GOOD GOVERNANCE GOING UP TO THE CENTRAL POSITION IN DEVELOPMENT STRATEGY

The resolution of Millennium Development Goals (MDGs) by the United Nations in 2000 set the social development goals as the front targets of the international development community. Eight items[1] of MDGs are largely social development targets, at least formally. The targets were set to attain by 2015 to 1990 standard. But at the back, economic development and good governance, as the supporting base of economic growth, became prioritized over social development as the consensus among international cooperation community.

Social development strategy has become central to development strategies through the following factors and events: 1) focus on the Basic Human Needs advocated by Robert McNamara, the President of the World Bank (1968-1981), 2) rise of the NGOs in the 1980s, 3) impact of the *Human Development Report* which started its publication in 1990 by the UNDP (United Nations Development Program), 4) the UN Social Deve-

[1] A total of eight items of Millennium Development Goals (MDGs) form a blueprint agreed to by all the world's countries between 1990 and 2015. These are (1) Halve the proportion of people whose income is less than $1 a day, (2) Ensure that children everywhere will be able to complete a full course of primary schooling, (3) Eliminate gender disparity in all levels of education, (4) Reduce by two thirds the under-five mortality rate, (5) Reduce by three quarters the maternal mortality ratio, (6) Have halted and begun to reverse the spread of HIV/AIDS, (7) Ensure global sustainability (Integrate the principles of sustainable development into country policies and programmes, reverse the loss of environmental resources, and halve the proportion of the population without sustainable access to safe drinking water and basic sanitation), (8) Develop a global partnership for development.

lopment Summit in 1995, and 5) UN resolution of MDGs in 2000. Amartya Sen, the leading ideologue of this framework and who came from India, was appointed president of the American Economic Association in 1994, and won the Nobel Prize in Economics in 1998.

The MDGs became the consensus not only among the UN families but also for World Bank and the IMF. During the 1990s, the World Bank had continued to prioritize economic development as the major solution to solve the poverty situation, the number one priority in developing countries, even though James Wolfensohn, the president of World Bank (1995-2005), was inclined to the importance of poverty reduction and social development items. On the other hand, UNDP has pursued prioritizing "human development" over economic development and in the *Human Development Report 1997*, it declared "Human development is the end, while economic growth is the means (p.1)" that made World Bank staffs unpleasant.

The World Bank promoted the policy adjustment with the UNDP. In 1998, three parties have started to hold an annual joint meeting to discuss the new development strategies. These parties were: 1) the UN Economic and Social Council (ECOSOC), 2) UNCTAD[2] that reflects the interests of the developing countries, and 3) the World Bank and IMF. Mark Malloch Brown, the Vice President of the World Bank at that time and was later appointed as the Administrator of the UNDP (1999-2005), declared himself as "completely self-confessed liberal free trader" in 2000, and proposed the UNDP as a vehicle to "create the environment of laws, physical infrastructure and education which will attract private capital." This was the background where the MDGs were agreed in 2000. From this point onwards, the UN, the UNDP and the World Bank worked increasingly closely together, creating a single policy framework that integrated the World Bank's Poverty Reduction Strategy Papers (PRSP) with the UNDP's Common Country Assessments and the UN Development Assistance Framework (UNDAF) (Cammak: 335-37).[3]

At the back of the World Bank development strategy, there are some ideologues, like David Dollar and Aart Kraay, who insisted, "average incomes of the poor (those in the bottom fifth of the income distribution of a country) rise equiproportionately with average incomes." "We simply

---

[2] United Nations Conference on Trade and Development.

[3] This paragraph is the English translation of our article in Kimura Hirotsune, Otsubo Shigeru and Ito Sanae, Introduction Chapter, in Otsubo Shigeru, Kimura Hirotsune and Ito Sanae eds., (2009) *Kokusaikaihatugaku Nyumon (Introduction to International Development Studies)*, Kieso Shobo, Tokyo, p.101.

emphasize that growth on average does benefit the poor as much as anyone else in the society. So, standard growth-enhancing policies should be at the center of any effective poverty reduction strategy" "We also find that a variety of pro-growth macroeconomic policies, such as low inflation, moderate size of government, sound financial development, respect for the rule of law, and openness to international trade, raise average incomes with little systematic effect on the distribution of income."(Dollar and Aart Kraay 2002: 2-3, 27) The author believes that this is the second paradigm change after the early 1970s when the development strategy moved from economic growth to social development or Basic Human Needs Approach. Once again, it was assured that the main strategy for poverty reduction is economic growth. "From medium to long run period, between 66 and 90 percent of the variation in changes in poverty can be accounted for by growth in average incomes (Kraay, 2004: 1)" and cannot be explained by rural development, participatory development or microfinance movement.

Actually, developing countries have always prioritized economic growth and industrialization over social development or poverty reduction. The theory of Raul Prebisch was just like that.[4] In the early 1970s when the World Bank took much importance to Basic Human Needs Approach instead of industrialization, developing countries regarded that it was a conspiracy of imperialism to deny the industrialization of developing countries and kept them in primary product (agriculture and mine products) exporting countries. When the World Bank made "poverty" the special issue of *1990 World Development Report* after getting criticism from "development with human face" concerning the negative effects of structural adjustment (which came from the decrease of health and education budget), the Report of Independent Commission of the South on Development Issues (Nyerere Commission) entitled *The Challenge to the South* (1990) wrote, "Rapid and sustained economic growth is indispensable for the South's development…The social and economic tensions which inevitably arise over the distribution of income and wealth can hardly be resolved unless total output is expanding and productive employment is provided (p. 12)." *Our Common Interest: Report of the Commission for Africa* published in 2005 wrote as follows: "All the evidence shows that reductions in poverty do not come

---

[4] Raul Prebisch was active in Economic Commission for Latin America (ECLA) from 1948 and served as the founding secretary-general of the United Nations Conference on Trade and Development (UNCTAD) from 1964 to 1969.

without economic growth." Concerning the reason of no economic growth, it wrote, "One thing underlies all the difficulties caused by the interactions of Africa's history over the past 40 years. It is the weakness of governance and the absence of an effective state."

In the paradigm change of the late 1990s, there was one more important element side by side with economic growth in poverty reduction. It was the importance of governance or effective state. The formal social development target symbolized in MDGs was connected with the precondition of economic growth and the economic growth was declared to be able to pursue under the framework of implementing good governance by effective states.

> Kofi Annan, former UN Secretary-General (1997-2006), has underscored that "good governance is perhaps the single most important factor in eradicating poverty and promoting development."[5]
>
> "Democratic governance is central to the achievement of the MDGs, as it provides the enabling environment for the realization of the MDGs and, in particular, the elimination of poverty."(UNDP website, governance)
>
> DFID (British Department for International Development) wrote in its *White Paper* (*Eliminating world poverty: Making governance work for the poor,* 2006), "Effective states are central to development. They protect people's rights and provide security, economic growth and services like education and health care."(21)
>
> As Mark Turner and David Hulme wrote in their book on development administration, "there was little that was 'miraculous' among East Asian 'Miracle' Countries. Instead, they point to 'fundamentally sound development policy.'" (Turner and Hulme: 60, 48)

The common orientation among international organizations and donors which lied on the basis of good governance was as follows: "Clear political leadership was of the essence; and a key challenge was to invest in health, education, infrastructure and social safety nets without introducing disincentives to entrepreneurship." "Governments have a definite economic role: they must ensure an appropriate policy environment, encourage entrepreneurship, create favorable conditions for the business sector and for attracting foreign direct investment, provide basic infrastructures and develop human resources" (Cammak: 335-37).

World Bank, *World Development Report 1997* insists: "State-dominated development has failed. But so has stateless development. A

[5] UN. World Governance Assessment http://www.odi.org.uk/wga_governance/About_WGA.html.

minimalist state would do no harm, but neither could it do much good. Development requires an effective state, one that plays a catalytic, facilitating role, encouraging and complementing the activities of private businesses and individuals" (p. 1).

There is a broad consensus in the international donor community that one of the key obstacles to achieving the MDGs is poor governance; poverty reduction cannot be achieved without a policy and institutional environment that facilitates growth. To most donors, top of the list of indicators of poor governance is corruption.[6]

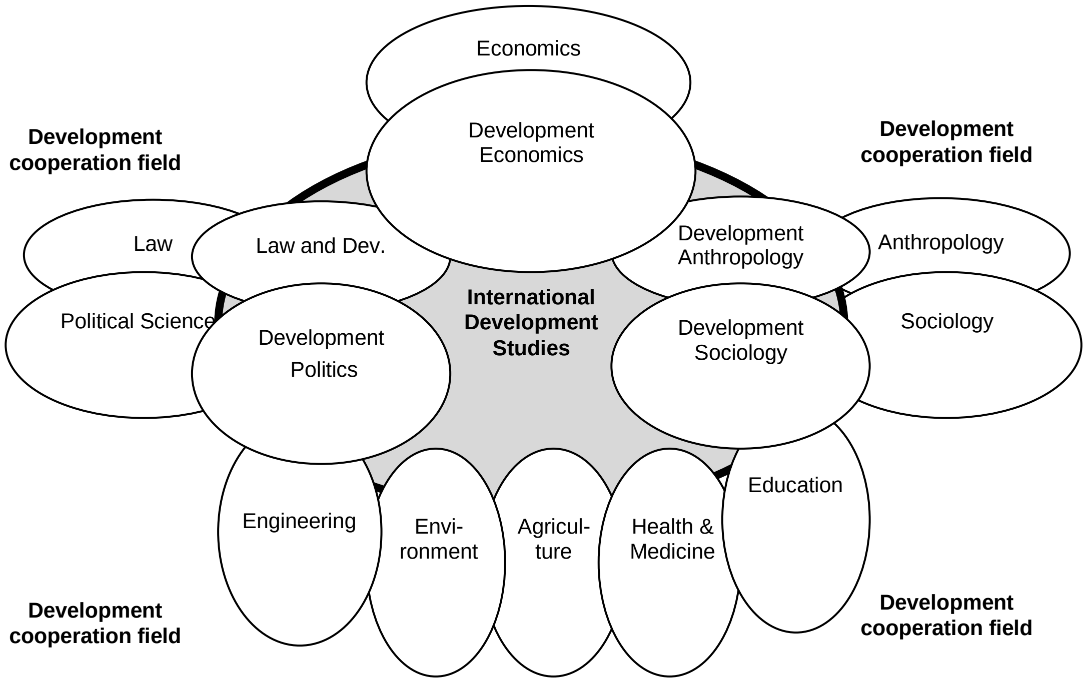
These are the common perspectives of international organizations after the UN Resolution on the MDGs. However, these ideas are yet to be acknowledged as a common understanding among development researchers and practitioners. Under the "principle of noninterference" in internal affairs, policies that dwell on domestic politics have been placed on the margins of international development society. But academics should not loose sight of the entire development perspective hindered by the "principle of non-interference."

In our previous book, we proposed the relationship between international development studies and related various academic fields in the following figure 0.1. We agree with Summer, A. (IDS, Sussex University) and Tribe, M. (2008), who wrote *International Development Studies: Theories and Methods in Research and Practice*, where they defined the term that should be the combination of the US and UK tradition combining aid related policy and academic world. The US has used "international development" and has had no graduate school of development studies. The UK has used development studies and has had a dozen of the graduate schools of development studies. We proposed in our book that international development studies should be organized on the multi-disciplinary network studies and the core part of it consists from three academic fields, Development Economics, Development Politics and Development Sociology surrounded by other academic fields. It corresponds to economic, political and social aspects of development. It also connects with the total structure of development policies that consists from five pillars: economic development policies, social development policies with environmental protection and legal and political development policies (governance policies) as the three pillar policies, and the two more supporting policy sets are global governance and international communication.

---

[6] OECD DAC Network on Governance (GOVNET), Lessons learned on the use of Power and Drivers of Change Analyses in development cooperation (2005: 7).

Figure 0.1. Relationship of the Interdisciplinary International Development Studies and Other Related Academic Fields



(Source) created by author: Otsubo, Kimura, Ito eds., p.14.

Table 0.1. Overview of the Development Policies

The 1st Pillar, Economic Development Policies: Development Economics 1) Achieving economic growth (raise in income) and increase of employment opportunities (growth), maintaining stability (industrial policy, fiscal and monetary policies etc.); 2) Equipping the fundamentals of economy (economic infrastructure, economic laws [competition and property laws], economic statistics, Industrial human resources); 3) Adjusting the roles of the market and the state (tax policy, management and privatization of state corporations, private-public cooperation policies etc.); 4) Operation of external economic relations (trade policy [liberalization, regional cooperation], monetary and exchange policies, international labor market policy, etc.); 5) Corresponding to the industrial and social structure changes (income redistribution, creating employment safety network, balancing Industrialization/urbanization and agriculture/rural communities, availing agriculture, balancing economy by regions, promoting SMEs).
The 2nd Pillar, Social Development and Environmental Protection: Development Sociology + Education, Civil Engineering, Environmental Studies, Agriculture and Life Sciences 1) Providing the basic human needs (education, health and medical services, shelter, and safe water); 2) Addressing population issues through reducing infant & child mortality rates, improving reproductive health and promoting education for all; 3) Ensuring a fair society by removing all discrimination on the basis of gender and ethnicity and realizing human rights for all; 4) Protecting workers' rights to employment, decent wage, right to organize/negotiate, and eliminating child labour; 5) Promoting social security net through health and unemployment insurance, pension, and income support schemes; 6) Promoting community development based on local people's participation and indigenous knowledge; 7) Promoting environmental protection measures concerning waste disposal, air pollution, soil erosion, deforestation, energy, and etc.

(*continued*)

Table 0.1. Overview of the Development Policies (*continued*)

The 3rd Pillar, Legal and Political Development (∈Governance): Development Politics

1) Supporting to build a law-abiding nation: law (law and development) + securing its effectiveness (prosecution, court, police and military, prison). Reforming the structure and preventing corruption (≒boarder of law and politics);
2) Achieving a democratic politics: election, plural party system = pluralism, parliament → cabinet→ bureaucracy ← monitored by the parliament;
3) Creating a civil society: freedom of media, literacy rate, supporting human rights organization, freedom of NGOs;
4) Operating an effective central government and local government and preventing corruption (Development Administration);
5) Decentralization and local governance (Local vitalization system under the participatory local autonomy): Capacity Building of public servants, merit system= no-nepotism, and civic participation.

Supporting Systems

The 4th Pillar, Global Governance (more precisely, International Governance): International Politics, Peace Studies, International Law, International Economics

1) Tie-ups of the Global Standard + International Organizations + international NGOs;
2) Alleviating the situation where the 1st, 2nd and 3rd pillars cannot be promoted due to dispute and civil war + establishing international security system and peace building;
3) World trade system and international financial and aid systems (aid policy and monitoring);
4) International law, International criminal court, set of treaties, building international consensus and joint declarations through global conferences.

The 5th Pillar, International Communication

1) Theoretical and actual issues of development (history of development, history of development theory, involuntary migration by certain development projects);
2) History and culture (development anthropology) and area studies in the developing countries;
3) Policy directions (cross-cultural understanding) to fill the communication gap between nations and regions;
4) Development education in availing the government tax for aid and making donations to developing countries.

Source: Otsubo, Kimura, Ito eds., 2009:13.

2. FROM "GOVERNANCE MATTERS" TO "POLITICS MATTERS"[7]

The book of Douglas North, *Institutions, Institutional Change and Economic Performance* (1990), which got the Nobel Prize in the field of economics in 1993, gave a profound influence in the recognition of governance. North emphasized the level of transaction cost (like banking, insurance, finance, wholesale, retail trade, lawyers, accountant, etc. which accounted more than 45% of the national income in the US economy) (North: 27-28). "Low cost enforcement of contracts is the most important source of both historical stagnation and contemporary underdevelopment in the Third world." "Enforcement in the Third World economies is uncertain not only because of ambiguity of legal doctrine (a measurement cost), but because of uncertainty with respect to behavior of the agent." "Formal rules, in even the most developed economy, make up a small part of the sum of constraints that shape choices." "It should be stressed that creating an institutional environment that induces credible commitment entails the complex institutional framework of formal rules, informal constraints, and enforcement that together make possible low-cost transaction" (North: 54, 57-59, 36). From these assertions, it can be gleaned that the key of economic development in developing countries is to build institutionalization in the economy, society and politics.

Daniel Kaufmann has been the major actor in the World Bank to promote the policy of governance. He has pursued to systematize the indicators of governance starting from 1996, which was called KKZ indicators (Kaufmann- Kraay- Zoibo- Lobaton Indicators). Kaufmann and his group, in the report entitled "Governance Matters (2005)," constructed six aggregate governance indicators (the indicators are detailed and the total 45 items in 1997 increased to 116 items in 2002. These are categorized:

(1) The process by which governments are selected
   - (a) Voice and Accountability: aspects of the political process, civil liberties and political rights, independence of the media
   - (b) Political Stability and Absence of Violence
   - (c) Government Effectiveness: quality of public service provision, the quality of the bureaucracy, etc.

[7] The former part of this section is in the author's another article, "The Direction of Governance: The Second Pillar of Poverty Reduction Strategy," in *The Forum of International Development Studies*, No.36, March 2008.

   (d) Regulatory Quality: price controls, inadequate bank supervision, excessive regulation in areas such as foreign trade and business development.

(2) Respect of citizens and the state for the institutions which govern their interactions
   (e) Rule of Law: perceptions of the incidence of crime, the effectiveness and predictability of the judiciary, and the enforceability of contracts
   (f) Control of Corruption

There are criticisms against the argument above whether the calculation of the indicators can be comparable in the same standard, and on the transparency of information sources. There are arguments that it will be almost impossible to set the level of indicators considering the bias for deciding the level. Although these indicators might improve governance, it will be unconceivable to expect a perfect set of indicators (Christiane Arndt 2006).

Merilee Grindle (political scientist of former International Development Center, Harvard University) and her group insisted to start the governance strategy from the more limited notion of "good enough governance," instead of a comprehensive development of hundreds of governance indicators to (the) collapsed states. Grindle argued, "There is little guidance about what's essential and what's not, what should come first, what can be achieved in the short term and what can only be achieved over the longer term, what is feasible and what is not." "It is all too clear that when governments perform poorly, the consequences are wasted resources." "Ha-Joon Chang found that many factors currently considered preconditions for development were actually consequences of it." "The consolidation of good governance can take a great deal of time." All the elements of governance are not always the precondition of economic growth and poverty reduction. From yet another perspective, what governance imperfections were tolerated —or were even instrumental— in the growth of East Asian countries. Nicaragua and Bolivia gained increased capacity to hold local teachers when they had decision-making power over resources. Such a simple and direct measure might be more important than a thoroughgoing (textbook like) decentralization initiative. Strengthening the role of Pakistan's parliament, long held up as a stronghold of "feudal interests" in the country, could not be expected to redound to the benefit of the poor majority in that country. One way to begin to reduce the good governance agenda is to assess more carefully and empirically the payoff of particular kinds of reforms for poverty reduction in a particular country. Some countries like Afghanistan and Liberia are in need of basic institutions to ensure a modicum of political stability, basic physical protection of citizens. Other countries like Nicaragua, Tanzania and Ghana can be assumed to have enough institutional coherence that they can begin to think more about expanding public services and setting up systems for better management of public resources; whereas countries like India, Botswana, Brazil and Mexico are in position to undertake more difficult governance reforms such as putting in place transparent budgeting and accounting processes." "The task of setting priorities is inherently political. Conflicts about priorities are inevitable. Such conflicts should be publicly aired and debated." "Producing tangible benefits in the short term might be a wise first step for many governments, particularly those suffering from reform fatigue or weak legitimacy"(Grindle: 525-48).

The insistence of Grindle concurs with that of Shimizu Koichi who insists on the 80/20 rule in his book. According to him, when you have a lot of problems, focus on the 20% or the 2-3 major factors to tackle. If you can respond to the core 20% of problems, you can solve 80% of problems (Shimizu: 115).

The new direction of international development community after 2001 went to the arguments "Institutions Matter" and "Politics Matter" after the arguments of "Governance matters" which was widely discussed in World Bank in the 1990s. Good Governance issues entered into specific countries and specific issues in various development programs and have faced the reality of political economy in the field.

OECD DAC Network on Governance (GOVNET) organized a workshop in June 2004 on "Sharing Approaches to Understanding Drivers of Change (DoC) and Political Analysis" as a tool for enhancing aid effectiveness. DAC members who attended the workshop were very supportive of taking the DoC agenda (originally proposed by the DFID in 2000) forwarded through the GOVNET. A small task team was formed to explore the further development of such approaches. In 2005-06, political economy analysis ranked among the network's highest priorities. It contained interaction of political economy analysis with the aid effectiveness agenda and joint corruption and governance assessments and discussion of state-society dynamics around tax and public expenditure issues.[8]

[8] GOVNET (2004), Summary Record of the workshop of "Sharing Approaches to Understanding Drivers of Change (DoC) and Political Analysis"; OECD: Development Co-operation Directorate (DCD-DAC), http://www.oecd.org/document/8/0,3746,en_2649_34565_37957768_1_1_1_1,00.html.

The World Bank reported in *Problem-Driven Governance and Political Economy Analysis* (2009) that "an increasing recognition that GPE (governance and political economy) factors play a powerful role not only in a country's overall development path, but also for shaping policies in various sectors and the way they are being implemented (p.vii). For many years, World Bank teams have experimented with various ways of analyzing and understanding the political economy context of reforms and with using such diagnostics for smarter engagement (p. viii). Many donor agencies are seeking a better understanding of GPE contexts. UK DFID (Department for International Development), the Netherlands, Sweden, and the EU are especially investing in this area (p. ix). In *Using Problem-Driven GPE Analysis to Enhance Bank Strategies and Operations,* it is written that if context permits, GPE analysis can contribute to enhancing the policy dialogue and to developing innovative approaches to operations (p. x). PGPE (Potential GPE) analysis can broadly be applied at three levels: the macro or country level, the sector and thematic level, and the project and policy-specific level (p. xi)." It recognized that accelerating and broadening growth depends on mustering political will to overcome vested interests blocking the reform, and gives prominence to governance and institutional factors. Sector programmes are giving more explicit attention to issues of corruption and institutional reform —for example in the energy sector (OECD 2005: 15).

A Spanish think tank issued an assessment report on governance (Meyer 2009) where they wrote, "Whilst there is seemingly an agreement that 'governance matters,' the term 'governance' remains highly contested, ranging from a narrow definition focused on key state functions and their quality (World Bank 1989, 1997) to a somewhat broad one that includes politics and informal institutions (DFID 2007)." "The term was accused of being a 'catch-all' phrase, devised to hide engagement with political issues under seemingly technocratic terms." "In any case, the *policy field* of governance has gained increasing attention and successive funding and staffing in donor agencies, namely in the European Commission (EC). It has gained legal status in an international agreement, namely the Cotonou Agreement between the European Union (EU) and 78 countries of ACP (the African, Caribbean and Pacific Group of States)." "The World Governance Indicators (Kauffmann et al. 2007; discussed below) have received fierce criticism for being guided by certain normative assumptions and preferred institutional models." "Today, there is a twofold movement of going beyond these core functions to look into the governance aspects of all sectors of public policy, while also going beyond formal structures to address underlying issues of politics and power." "There is a move from analyzing the formal, constitutional and administrative issues to probing further into the dynamics of power and politics, which predetermine the likeliness of successful reform. It is 'political analyses,' in the above sense, or 'political economy analyses,' that aim to understand these underlying political and historic structures that determine citizen state relations and shape the incentives, constraints and opportunities of political elites and social movements. These approaches argue that donors should become involved as political actors, which would then empower them to engage in the actual politics that prevent or encourage local elites to pursue pro-poor policies." "Governance is increasingly transferred into other sector policies, which means that the formal and informal elements of inclusion, participation, accountability and transparency are researched in all sectoral work." "It then recommends taking issues as entry points. Looking at, for example, service provision, taxation, the budget process or electoral processes, would allow donors to shift into real-world governance issues, as opposed to implementing blueprint solutions" (Meyer: 2, 13).

At the same time, the Spanish think tank points out the actual difficulties for implementing good governance at the local level. "ECGIT (European Council Governance Incentive Tranche) has been criticized for being trapped in a logic of 'money can buy reform;' not considering turning outwards accountability to donors into domestic accountability between citizens and state; employing a methodology that is too mechanistically oriented towards superficial cross-country indices, without considering more in-depth political economy analyses; and overloading itself with too many purposes. Currently, experts seem to be divided between those who feel that the ECGIT has to improve along the aforementioned lines and others who believe that the very mechanism of designing ambitious incentive schemes is flawed because it fails to make the underlying politics visible and does not engage domestic accountability systems. An open debate on these issues is thus still outstanding. *Governance work has moved away from asking 'What is wrong and how we can fix it?' to asking 'What are the incentives to which political elites respond and how can they be changed?'* (DFID 2007: 68)." "These approaches argue that donors should become involved as political actors, which would then empower them to engage in the actual politics that prevent or encourage local elites to pursue pro-poor policies." "When the aid effectiveness agenda emerged in the 1990s, it proclaimed 'ownership' by recipient countries to be a key requisite for development success, a more hands-off approach was coupled with a greater involvement in domestic policy formulation and an attempt to reinforce a 'political dialogue' in which adherence to universally agreed standards, conventions and international obligations, as well as conditionalities, incentives and sanctions are debated." Thus, the 'ownership' and 'political dialogue' are connected with hands-off approach. Moreover, "many country-based donor staffs define themselves as technical experts, who prefer to stay out of local politics." "Frequent staff movement from country to country compounds this problem. Similarly, most members of staff are bound to the capital and very seldom travel throughout the 'provinces' due to their administrative and policy tasks" (Meyer: 6, 13-14, 17).

That means even though the policy direction of governance has been deepened to individual country level, field level and project level, international donor community staffs at the front line of the field did not change much, hindered by the low level of formulation on new policy direction, bureaucratic inertia, continuity of the principle of noninterference and above all the reality of local political economy situations. Here, we must recognize well, as far as the issue is understood as blue print policy implementation level, and without having the understanding that the real difficulty to pursue good governance is blocked by the huge vested interest of the local political economy structure, we can't go further.

Still, we need to recognize the changing aid strategy as represented in DFID paper (2009) insisting that "a major step change from past practice" has occurred. "There is increasing recognition across both the academic and aid literatures that development is fundamentally a political process in key respects. The DFID 2006 Development White Paper, *Making Governance Work for the Poor,* argued that the fight against poverty cannot be won without capable and accountable governance, and that this is largely contingent on getting the right kind of politics…The UK will increasingly put politics at the heart of its action. We need to understand who holds power in society so we can forge new alliances for peace and prosperity...In the future, understanding political dynamics will shape more of our programmes. "Political economy analysis is not only important for increasing our understanding, but it can play a key role in changing the way we work." "DFID offices are increasingly focused on the promotion of sustained economic growth in partner countries. 'Growth diagnostics' and other tools are being used to identify key constraints and policies to alleviate them. At the same time, there is growing recognition that technically sound policy prescriptions can fail for lack of effective political support." "The World Bank has been at the forefront of work to develop a 'problem driven framework to governance and political economy analysis.' It has emphasized that 'problem-driven' does not mean focusing exclusively on areas of difficulty, but also identifying opportunities and learning from where success has been achieved" (DFID 2009: 5-6,13).

3. DEVELOPMENT POLITICS INSTEAD OF GOVERNANCE

Adrian Leftwich stresses that all development is inescapably political, not managerial and administrative in current technical sense. Politics shapes states, and states shape development. Different politics produce states with different developmental purposes and capacities. In this manner, on one hand predatory states have emerged, while on the other hand, developmental states have emerged…If development must also be understood as a profoundly political process to promote growth and welfare, then how is this intensity complex task to be undertaken, managed and coordinated? The only agency capable of this task on a national basis is the state (Leftwich 2000: 4-7, 191). Not a small part of failures in developing country development stemmed from the exclusion of politics from the factors.

The above issues have been understood within the context of good governance. Yet, when relations, with the changes in political situations, are taken into consideration, it is appropriate to name it development politics from a wider academic perspective.

International development community has discussed the issue as governance matter. They have used the term as the matter of non-political and administrative/managerial to avoid the violation of the principle of noninterference. One of the author's colleagues, who had worked in UN for 5 years and World Bank for another 5 years, said the conditionality of aid is "how to interfere without being seen as interference."

Then, did they understand the centrality of politics and only pretended to be non-political? The answer is no. John Harriss of LSE wrote, "social capital, trust, civil society, participation and NGO have come to constitute new weapons in the armory of 'anti-politics machine' that is constituted by the practices of 'international development' (Harriss: 2). Andrew Shepherd, at the Public Policy School of the University of Birmingham, discussed as follows in his review article on *World Development Report 2000,* "Development cannot continue to be treated as a non-political matter: political development…is a key to development general. The strengthening focus on 'governance' provides a set of more or less technical metaphors to begin to address political development, but is not quite there yet." "The constraints on poverty reduction —among which resources, politics, and conflict— are not really confronted…The havoc wreaked by complex political emergencies —firmly on the international community's agenda now for over a decade— is not yet recognized as a major issue for would-be reducers of poverty"(Shepherd: 318-19).

Leftwich insists the inability (at least publicly) to grasp the centrality of politics, and not simply governance, in shaping the character and capacity of states. In present good governance arguments like transparency, accountability and coordination mechanism, there is always a technical, administrative or managerial 'fix' in the normally difficult affairs of human societies and organizations, detached from turbulent world of social forces, politics and the structure and purpose of the state. An effective public capacity for promoting and managing development is not a function of good governance, as currently understood, but a kind of politics and state. It has been the existence of certain type of state, the developmental state (Leftwich 2000: 51, 107-09). Then, there comes the issue on how to build developmental state that is the number one issue in promoting governance ('steer the economy').

In our previous book (in Japanese) entitled *Introduction to Development Politics*,[9] we set 4 pillars in Development politics: building developmental state, democratization, building local governance and governance supporting aid. Four contributors wrote chapters on ODA frameworks (governance in ODA, democratization aid by international society, peace-building, and human development diplomacy).

We set the most important task of governance that is building developmental state which can be modeled by East Asian miracle countries (Japan, Korea, Taiwan, and Singapore which became developed countries already and Thailand and Malaysia follow as the next NIES candidates. Indonesia is included in World Bank Report, *East Asian Miracle*, in 1993 but in the least meaning). The key for building developmental state is to building competent bureaucracy[10] (administration) that can pursue public policies consistently and effectively which has very different understanding

---

9 Kimura Hirotsune, Kondo Hisahiro and Kanamaru Yuji, eds. (2011), *Kaihatu Seijigaku Nyumon (Introduction to Development Politics*), Kieso Shobo, Tokyo.

10 The major promoter of this theory is Peter Evans (1995), *Embedded Autonomy: States & Industrial Transformation*, Princeton University Press.

in comparison with the US where the administration has very minor social status. No Harvard graduates enter into public administration while the graduates of the University Tokyo or the University of Seoul have entered into public administration consistently. It's also the case in all East Asian Miracle countries.

In democratization, we set equal importance to general election procedure with ethnic group reconciliation mechanism, building institutional political party mechanism so as they can reconcile each other as a nation, and building civil society. Also important is that for getting people's support to democratic system, the key is realizing economic growth with people's steady upgrading of income.

Decentralization in developing countries became a pillar for democratization as the world trend in international aid community. And largely it failed, as found by Harry Blair, "Historically, decentralization initiatives have not enjoyed great success, largely for two reasons: all too often, despite their rhetoric, central governments do not truly want to devolve real power to the local level; and when significant authority is devolved, a disproportionate share of the benefits is often captured by local elites" (p.vi). Eventually, what was realized was "decentralization within the framework of centralization" (Kimura's view). Eventually, the present world trend of decentralization remained to be "decentralization from above" as demanded by international donors. Under the international chorus of democratization in the 1990s, what has developed was "illiberal democracy" (Zakaria) or "nominal democracy" (Gillis). Under the international chorus of decentralization in the 1990s up to now, what has developed was "nominal decentralization." As was declared by Hutchcroft, "Many of decentralization initiatives often seem to rest more on faith than on strong conceptual foundations."

4. REALITIES IN IMPLEMENTING GOOD GOVERNANCE IN ACTUAL DEVELOPMENT FIELDS

It is under this kind of development strategy direction on governance that, in this book, we analyzed actual difficulties in implementing good governance in various countries and fields. We found major difficulties for implementing good governance is far more structurally grass-rooted than being predicted, and it is far from easy to change. But at the same time, various aspects like Indonesian Tax Agency in the Ministry of Finance and the case of Brazil showed that the system can be changed under long years' endeavors. Articles of Part 1 analyze national level governance. Articles in Part 2 analyze local governance. Articles in Part 3 analyze various development aspects in the fields.

In Part 1, we have 6 articles and they are the analyses of the Philippines, Thailand, Indonesia, Brazil, Myanmar, and Uzbekistan. It is almost needless to say the difficulty to implement good governance in Myanmar where the military government prevails, and in Uzbekistan where the Soviet Russian age suppressive system continues. According to the Freedom of the World edited by Freedom House, "not free" countries decreased only 3 for the last 20 years from 50 in 1990 to 47 in 2010. Non-democratic countries persist with deep roots. Since the UN decided the LDCs (Least Developed Countries) in 1971, LDC decreased only 3 and still there are 48 LDCs now in 2011. In these countries, good governance for implementing steady public policies is conceived to be none existence. Among the NIES (Newly Industrialized Economies), in South Korea, 2 former presidents are in jail and another 1 president killed himself by corruption issues.

Among the "next NIES candidate" countries, Malaysia's politics has been full of patronage. In Thailand, the article of Dr. Ake Tangsupvatana of this book analysed deep rooted corruption structure even after its democratization in the 1990s. "Since about 90 per cent of seats in parliament were supplied for the provincial constituencies (the long history of vote-buying in Thailand especially in rural areas), local influential business-people, who controlled positions in the political parties, could become an increasingly dominant element in parliament and the cabinet." Prime Minister Thaksin, a businessman coming from the police service, got victory twice (2001 and 2005) by money politics and authoritarian populism, and ousted on the ground of corruption by the military coup in 2006, and yet the political cleavage has continued till now. Dr. Ake insists that at the back of the conflicts, there is a battle of vested interests of both sides consisting economic-political-military blocks. In Thailand, more than 79 percent of businessmen perceive that bribery is the norm for the success in business. Projects that require large budget or mega-projects are another important case study of corruption in Thailand.

In the analysis of the Philippines, Dr. Weena Gera analyzed the root causes of the long years' economic stagnation of the Philippines. According to Dr. Gera, "The slow economic growth trajectory of the Philippines can be attributed to its low rates of investment." "Its negative balance of trade, with imports exceeding exports ($57.24Bn and $45.89Bn respectively in 2010) has been the general trend in the Philippines since the 1980s." On the contrary, as of 2009, there is a stock estimate of about 8.5 million Filipinos overseas and the remittances accounted for about 10.76 percent of the country's GDP. In the Competitiveness Ranking vis-à-vis ASEAN counterparts, the Philippines decreased its rank from 46th in 2000 to 85th in 2010, which is lower than Malaysia (26th), Indonesia (44th) and Vietnam (59th), approaching to Cambodia (109th). The major reason lies in "the state's lack of policy capability and lack of autonomy from private manipulations. Institutional and administrative constraints such as poor inter-governmental coordination, bureaucratic inefficiency and weak regulatory environment/ legal framework/rule of law are largely dictated by the country's embedded political constraints such as patrimonialism, rent-seeking, patronage, state subservience to private interests, political cooptation and lack of political will and autonomy to raise revenues, allocate resources to the poor, pursue development-oriented policies and enforce them." "Low revenues, budget deficits and high debt are essentially by-products of the lack of political will to generate revenues particularly in taxing the state-backed elites or pursuing tax evaders, or the political will to enforce policy regulations." "The average tax leakage from Value Added Tax (VAT) is around 30 percent of potential tax due." In the Philippines, members of parliaments, coming from local bossism structure under the single seat precinct system and 3Gs (Gold, Gun, Goon), function to block every reform from the viewpoint of local elite interests (typical nominal democracy). The "drivers" of state failure were "weak governance, poverty and violent conflict"… Responding to the dynamics of nation-state failure has become central to critical policy debates (Leftwich, 2005: 591). "State failure is a gradual process." "The greatest problem is not the absence of nations; it is the absence of states with the legitimacy and authority to manage their affairs" (Chester Crocker, US Assistant Secretary of State in charge of Africa under the Reagan regime: 34, 37, 41). The Philippines might go this way.

Indonesia is another case dealt by Maharani for considering the limits of good governance. After the big political reform following the demise of 32 years' Suharto regime, it became clear "the beneficiaries of the system of distributive administrative oligarchy, proved to be more resilient and pervasive than expected and able to reorganize their power and insinuate themselves successfully into the new economic and political regimes" (Robison and Hadiz 2004: 190). Maharani analyzed the continuous deforestation in Indonesia even after the change of reform. The total area of current state forest in 2000 as defined by the Ministry of Forestry is 133 million hectares that is 64 million less than in 1950. "Most of the rights to forest land use are still in the hands of big business and corporations, which shows the return of oligarchy in the sector." "389 of the 652 concessions for logging granted to corporations during New Order era remained in operation." "The state already allocated 65 million hectares to timber industry, 15 million hectares to plantation and 48 million hectares for protected forest including national parks. Overlapping in this area of 'state forest' is 482 mining concessions and transmigration areas." "Corporations that had close ties to Suharto and the military also benefitted from audit-free process, and logging concessions have also been enforced without proper monitoring." "Patron-client driven oligarchy in the forestry sector has made deforestation in Indonesia unabated." "Illegal logging (even from national parks) constitutes 50-70% out of total Indonesian log production." Now, "forestry sector is redistributed among central, provincial and local governments. A recent study argued that decentralization has provided political economic incentives for district governments to be more permissive to logging activities." "Implementing good governance, therefore, may face difficulty when political economic barriers embedded in rent-seizing and rent-seeking are not successfully addressed along with the restructuring of resource rents in the forestry sector, both within the government agencies and among the government, private business, and communities." "Successful reform still depends on the extent to which the changing structural factors fit the political economic calculation of the more powerful actors in the current system." "Since the beginning of the reform, there was the indication that impartial reform cannot be implemented seriously. Domestic institutions seem to resist any efforts towards substantial change." "Institutionalization of good governance is concerned with not only internalizing new values, but more importantly, de-institutionalizing political economic structures that has sustained unabated deforestation."

Dr. Waldemiro Francisco Sorte Junior examined the efficiency of the Brazilian government in stimulating the growth of the private sector by means of a cross-sectoral analysis on industrial policy. The capacity of a government to collaborate with the business sector and to coordinate research institutions, umbrella organizations, universities and other players in order to promote entrepreneurship, R&D initiatives and private investment in key industrial sectors is an important element of governance. Brazil, with its 194 billion people, accounts for over 30% of the total population of Latin American and the Caribbean region and approximately 40% of the GDP. Although Brazil was once regarded as an Intermediate State, in which corruption and rent-seeking coexisted with partially developed government and political institutions (Evans, 1995), initiatives adopted during President Lula's administration (2003-2010) promoted significant social changes and stimulated economic growth. Nonetheless, there are still a number of problems. Disproportional power of politicians and local elites thwart the implementation of sound government policies in Latin American countries. A certain level of good governance seems to be in place, but it is still necessary to tackle structural flaws, in particular as regards to the low level of state embeddedness in the private sector. One of the main problems still seems to be political capitalism, which turns the Brazilian public officials into hostages of clientelism and patronage. Consequently, the power held by the Brazilian public bureaucracy and its capacity to implement and sustain programmes for economic growth and transformation become considerably lower than those of its East Asian counterparts.

The Brazilian automobile industry underwent a restructuring process from the early 1990s. The government reduced import tariffs on vehicles, auto parts and equipments, increased the existing financial mechanisms to facilitate automobile purchasing, and created export promotion policies. As a result, the production of vehicles in Brazil expanded 87.9% between 1991 and 1996. Therefore, Brazilian state was successful, to some extent, in nurturing the growth of the automobile industry. However, Brazil was not able to create a strong domestic firm in the automobile industry. The Brazilian Automobile Industry has been a MNC-Driven Industrial Development facilitated by the incentives provided by Brazilian states and municipalities. Automakers were also attracted by other factors such as the reduction of labour costs, adequate infrastructure, and less influence of labor unions. Brazil, as well as most of Latin American countries, has historically maintained a low level of value-adding capacity in the manufacturing sector if compared to its East Asian counterparts. In this manner, the country is a leading exporter of iron ore, for example, but a minor exporter of steel.

The pharmaceutical industry has a longer history than the automobile industry in Brazil, and a number of domestic firms that emerged in the 19th century reached a great level of prosperity during the First and Second World Wars. The Brazilian government, however, was not successful in nurturing the private sector and in stimulating research on public facilities in order to keep pace with the technological improvements of the world pharmaceutical industry, especially the development of industrial modes of production and the manufacturing of antibiotics. Currently, the Brazilian government has recognized the pharmaceutical industry as strategic in the two newest industrial policies, but the gap in terms of R&D investment and innovation capacity between Brazil and large pharmaceutical firms in developed countries and in other emerging economies, particularly India, is still enormous.

Dr. Sai Khaing Myo Tun's study analyses the state-led development and the state-building process in Myanmar between 1988 and 2010 that was conducted under the exclusive leadership of the military government. His paper argues that politics in Myanmar is not only a matter of regime change or system change, but also a matter of introducing good governance that enables the state to be able to work for national development in the sense of 1) developing productive capacities, 2) building a new developmental state based on a better balance between the state and the market, and 3) ensuring multilateral support. Side by side with no international assistance under the sanction policies, Sai pursued internal factors for building a successful state-led development in Myanmar. Sai analyzed the structural weakness of bureaucracy originated first by the legacy of British colonialism that introduced new practices in bureaucracy different from the old system of the Burmese Kingdom. This destroyed the traditional administrative practices. Even after independence, governments continued to use the centralized bureaucratic system. Government institutions were overwhelmingly Burmese that constituted the major ethnic group. Internal instability or the civil war caused by the ethnic and communist insurgencies constituted a factor that contributed to the failure of development. The military emphasized stability and security. Maintaining national unity became the main focus of successive governments. Decentralization meant political, military, and economic power going into the hands of regional commanders that gave them immense power. Regional commands became somewhat like autonomous regions. Bureaucrats were not regarded as important actors who could engage in policy-making for national development. The technocrats, many of them trained in the Soviet Union and Eastern Europe, had little say in the developmental agenda. The widely held perception was that appointment and promotion of bureaucrats were also based on loyalty and patronage, blocking promotion based on merit and seniority. In 1974, Ne Win formed the socialist government. Economic strategies were to support the policy of self-reliance under isolationism. One of the reasons of the state failure under the socialist government was the lack of support from the society to "deal with citizen resistance through oppression." But now, the government recognized for more inclusiveness of the state-building processes including the arrangement to allow some ethnic groups with self-administrative power.

In Part 2, Dr. Kimura's article, "Ideal and Reality of Local Governance," is the introductory chapter on local governance. The ideal of local autonomy has been one of the major pillars of governance and democratization. But the reality is, as Harry Blair wrote, central governments do not truly want to devolve real power to the local level; and when significant authority is devolved, a disproportionate share of the benefits is often captured by local elites. Kimura featured the former as 'decentralization within the framework of centralization' and featured the latter as 'local kingdoms.' He also emphasizes the role of central government quoting "It is the power of the central government which appears as the guarantor of political freedom against the local (kingdom) governments (Neumann: 225)." And he further insists that central government ministries should redefine their role as the service organization to support local governance like the information center, consulting center, training center and coordination center for the co-administration tasks for promoting better local governance. Networking local economy with national economic development plan is another task.

Tri Widodo Utomo's article on "Building Good Governance through Decentralization in Indonesia" tries to elaborate some factors explaining and contributing to the failure of building good governance through decentralization in the current stage of bureaucratic reform in Indonesia, which is contrary to international chorus that decentralization aims to promote good governance by enabling citizen participation and democratic elections. He evaluates that basically, there has been significant improvement since democratization like CSOs, media, elections, government institutions and public policies including economy, education and health. But the ratings for all indicators are in most cases lower. Many regulations in province and district level produce high-cost economy and make local governments capacity even worsened. Such situation explains why central government has canceled 2,399 local regulations. The most current political system in Indonesia is characterized by politics of dynasty, a widespread phenomenon of nominating a figure from the incumbents' family and the old political elites as Member of Parliament or candidate of head of local government where the public participation is neglected. Inevitably, not only new local kingdoms but also new classes of oligarchy elevates during decentralization era.

Decentralization and bureaucratic reform has twofold faces. Decentralization is not only about the transfer of authority and budget from the center to the region, it also has to do with recruitment of civil servant. Local governments have increased by 2011 to 33 provinces (+7), 399 Districts (+164) and 98 Cities (+34). Local governments have managed recruitment by giving priority for local resident and limiting the opportunity for other residents. Such practices result in disadvantages such as reducing the prospect to attain national standard among civil servant from different region and different level of government and damage the unitary state of the Republic of Indonesia. The augmentation of patronage and clientelism between bureaucracy and local politicians complicates the control efforts over corruptive behavior.

Dr. Aser Javier's article deals with the framework of Local Economic Development (LED) with Public Private Partnership (PPP) as its tool. But largely, local governments pursue public enterprises as their mindset and many of them are losing financially and the Local Government Units end up subsidizing these enterprises. The high mistrust of the private sector towards the public sector and the extreme difficulty of raising revenues through enterprise development caused the LGUs to focus only on LED from their enterprise development perspective. Bureaucracy is seldom found in entrepreneurship. Current LED national policies did not exactly meet current local demands. There is a need to rethink the National Government Agencies approach at the regional and provincial levels vis-à-vis the role of the province, the municipalities, and the cities.

The article of Eilen May V. Abellera, "Explaining Legislative Oversight in Philippine Sub-national Governments: Institutional Impediments in Good Governance," provides a comprehensive explanation on the weakness of sub-national legislature versus the local executive both in institutional arrangement and the actual political process. This article lends support to the argument that legislatures are pillars of democratic good governance. Yet, the vast legislative powers granted by the Local Government Code 1991 to the executive have marginalized the legislative branch from taking its rightful place in the political system and dissipates the notion of co-equality. A careful examination of the 1991 Code provides for the exclusive capacity of the executive to introduce legislation affecting budget, taxation, expansion of employment in public service and other administrative matters. Powers of executives would include "sending notes to the local council, using veto power, appointing and removing subordinates, and preparing the budget."

The technical and human resources necessary in drafting legislation are also at the disposal of the executive.

The profound implication of the politics of bossism as an off-putting by-product of the Philippine decentralization policy promoted an ineffective, if not eviscerated legislative branch and incessantly secures the subversion of good governance values. Given that politicians are dependent on patronage for survival, legislators are hesitant to challenge an incumbent executive who has main control over patronage funds. Legislatures who are supportive of the executive are highly favored and are therefore more proximate to patronage resources. Weak party cohesion also aggravates this situation wherein former opposition party members may seek alliance with the ruling party in order to secure an advantaged position to further their careers in the political arena. Moreover, political clans have been an enduring feature of Philippine politics. Elections have been dominated by powerful clans who field local posts with electoral candidates anointed to pursue oligarchic interests

In Part 3, Dr. Jose Elvinia, in his article, argues that despite of the common belief that land reform would bring economic well off to the poor farm beneficiaries, some problems are raised stemming down from *weak* government and *tainted* political leadership. The national level political dynamics, dominated by the landed oligarchy, were behind the legislation of CARP (Comprehensive Agrarian Reform Program) in 1988. Land reform was high in the development agenda in the 1950s particularly in Asia and the Middle East, and in the 1960s-70s in Latin America. It subsequently fell off not because of the lack of demand by the rural poor or for lack of agreement on the importance of the issue, but due to the difficulty in managing the political economy of the reforms at that time. Despite the disappointments, land reform was placed back in the development agenda in the 1990s especially by the initiative of the World Bank as part of poverty reduction policy. Jose set the problem, "Is land reform program a failure as a policy? Or, it is just deficient in its content to achieve the goals." The CARP may not be a complete failure; however, it possessed serious deficiencies to succeed as an agenda on poverty reduction. The price of land was subject to negotiation between landlord and tenants reflecting power struggle in price bargaining that made the present reform costly for the beneficiaries. This is aggravated by the limited government support for farm operations in the areas of credit, technology, marketing, extension services, among others, and their low level of entrepreneurial abilities in managing their own plantations. All these factors eventually brought them into crisis and the escalation of poverty incidence. We cannot ignore the vested interest of the landed elites in the historical land reform laws and programs in the country. Land reform has become a polity reality, and the politics played a significant role on the various policies and programs undertaken in each regime. Success stories are available. But the success was only made possible because of external help and favorable circumstances. In the post-land reform regime, supportive institutions and inputs, as part of land reform policy, are vital in making the entire reform work. And this support must be publicly supplied and government initiated.

M. Faisal Artjan developed a comprehensive bureaucratic reform process in Post-Suharto democratization era focused upon the Ministry of Finance. Bureaucracy in Indonesia has been characterized by the culture of poor performance and corruption. His chapter objective is to overview the state initiatives to enhance its capacity through technical assistance with capacity development approach. Understanding capacity building process moved from a focus on individual skills and competencies to focus on getting organizations re-structured or re-designed in the 1980s. The role of institutions (system) in capacity development approach began to be acknowledged in the early 1990s. These institutions are both formal and informal. Formal institutions consist of legal systems, property rights, the relationship of the executive to the legislative, etc., while the norms and values that influence individual and collective behaviors are informal institutions. Since the capacity of Indonesian public institution, as many of other developing countries, has been regard as low and most significant problem that requires donor organizations intervention.

This study argues that two decades after the comprehensive tax reform being implemented, the tax administrators remained to keep the “traditional business.” Meanwhile, the MOF (Ministry of Finance) began to develop its young employee’s capacity to become young professionals through intensive training program. After economic crisis and democratization in 1998, comprehensive tax administration reform was implemented with the IMF assistance and introducing good governance as the main theme. Important lesson from successful countries in reforming bureaucracy is that organization restructuring and working mechanism changes were not enough. They should be complemented with reforming remuneration system to formulate adequate income to ensure civil servants well-being and accelerate their productivity. However, several cases of corruption involving low and middle tax officials in 2010 (Gayus Tambunan and Bahasyim cases) appeared in headline news and brought question towards the effectiveness of these control mechanisms in recent years. "People are the lifeblood of any organization and the agents of reform and renewal in public administration," in the World Bank recent study on "Development as Leadership-led change." Nowadays, democratic reforms have made these characteristics no longer acceptable and have increased the demands for transparency and accountability. More than just close monitoring, creating new organizational culture as pattern of beliefs, values or social guidance can be effective for fostering integrity among tax officials. Organization culture is more important than structures for remuneration and control as a determinant of organization performance.

Dr. Yond Rizal is currently the Head of Tax Office for State-Owned Enterprises, Directorate General of Taxation, Ministry of Finance, Republic of Indonesia. Both from his academic work on governance and actual practice, he wrote an article on "Lessons from Indonesian Tax Administration Reform Phase 1 (2001~2008): Does Good Governance Matter?" The Soeharto regime (1966-1998) focused on economic growth and disregarded the best practices in governance. Over three decades, the socio-economy and political development was based on a discretionary, corruption-ridden, and patrimonial system. Many taxpayers have little confidence in the fairness of tax administration. The perception of tax officers' arrogance was developed from the bad experiences of taxpayers or tax consultants in dealing with tax officers. The perception on excessive wealth possessed by the tax officers is based on what the public observe see in daily life.

The Directorate General of Taxation (DGT), which was regarded as one of the most corrupt government organization, launched the modernization program. A Tax Modernization Team with capable human resources ran the gradual comprehensive administration reform. The World Bank reported that Indonesia has a good tax system but a low tax ratio. The pressure came from the IMF through MOF. The soul of the reform is the implementation of good governance. In general, the modernization included: (a) organization, (b) business process, and (c) human resources management. The good governance initiatives implemented by the DGT includes the establishment of governance unit, code of conduct (COC), e-government, complaint centre, and a telephone hotline for large taxpayers to report the misconduct of tax officers. Meanwhile, the MOF has established the Investigation Unit of the Inspectorate General and Commission on Taxation Monitoring. The DGT has introduced the reform on human resources management policies including modern office staff selection procedures, the creation of special allowance, and training in tax management and procedures for new and existing tax officer. The DGT has been aggressively mapping potential taxpayers who remain outside the tax net through their property and car ownership, credit cards, citizen registration and other financial transactions. And based on this data, millions of new taxpayer registration numbers have thus far been officially issued. The number of taxpayers jumped from 2.52 million in 2001 to 15.47 million in early 2009 (13,861,253 individual taxpayers and 1,608,337 corporate taxpayers). Still, corruption exists. This is in line with Klittgaard's famous formula, "Corruption = Monopoly + Discretion–Accountability." The reform still focused on how to increase the revenue in a short time rather than on long-term institutional concerns such as anti-corruption efforts. Clearly, the study has shown that the DGT has failed in promoting taxpayers compliance in national level, given the low number of registered taxpayers, high number of stopfilers, substantial underreported tax due and high tax delinquency. Still, the DGT is truly a very different place than it was ten years ago. Combined strong management and political commitment are the two single most important factors for strengthening tax administration. The author came to the conclusion that creating tax officer compliance, honest officers through the presence of reward and punishment system, a merit based system and performance based management with support of good governance practices, can be more effective to increase taxpayer compliance.

This book has two CSO (Civil Society Organization or NGO: Non-Governmental Organization) articles. Dr. Suharko's article on the "Limits of Indonesian CSOs" analyzed CSO capacity and governance rather than the governance of government. He found CSOs' engagement in public activities in Indonesia is primary resource and power for promoting democratic governance. However, the weaknesses of CSO are very obvious, shown by lack of financial and human resources, inability in reaching out the entire levels of civil society in national setting, low social trust from the people in CSOs, mutual suspicious relations between CSO and government, weakened bargaining power towards state in decision-making process, etc. Although CSOs have been proliferated up to nearly 20,000, CSOs in the post-Suharto era (in terms of quantity) have been very active; yet, their impacts of activities are limited. In general, CSOs face limited financial and human resources. This is a main reason that CSOs, especially NGOs, are dependent on foreign aid. Indonesian CSOs have established cooperation through various forms: network, alliance, consortium, forum, etc., for certain issues. INFID (International NGO Forum for Indonesia Development) is one of the most important coalition. But CSOs suffer from the lack of capacity of lobbying and establishing alliances covering nationwide level. In the conduit of development activities, the government and CSO relations continue to be marked by mutual suspicion and confrontation. Distrust on both sides became an obstacle for a genuine collaboration in development activities. CSOs are only able to organize local and small-scale activities and cannot reach the marginalized people in the entire levels of state. NGO-government partnership is still difficult to set up as a country grand strategy in poverty reduction.

It can be concluded that in general CSOs always claim and feel that they adopt democratic values within their organizations, but some assessments have shown that they do not seriously transform the democratic values into practices of democratic governance in their organizations. In relation to issue of transparency, fewer Indonesian CSOs make financial information and report to the public. CSOs are active in promoting democracy, but many CSOs do not practice democratic values and principal democratic governance in their own organizations.

Dr. Yakhyo Kayumov's article on the civil society and social trust in Uzbekistan analyzed the new dimension of collective action for NGO-GO (Non-Governmental Organization and Government Organization) synergy. After Uzbekistan became independent from Soviet Union and joined international community, it became part of transition process. But the collapse of Soviet Union did not mean collapse of existing regime in each country. Almost all Central Asian countries left their old ruling institutions and they are seen as window dressing which in reality did not bring visible reforms towards expected liberalizations. Like the case of Uzbekistan, chiefs of former communistic parties in each country were elected as the presidents of their countries, and recruitment to highest positions was chosen from the same generation. But the 'puzzling success' of Uzbek economy by cotton and fossil fuel and the fear from ethnic conflict which liberalization might evoke, fear from non-democratic revolution and fear from external influence, majority of people justify the centralization of power and its coercive nature.

Since 1990s' international aid for development projects, nearly 3000 NGOs were established under the sponsorship of donor countries. Besides, there were near 20 International NGOs actively networking local NGOs through various trainings, seminars and financial supports. However, the government of Uzbekistan, combined with conservative elites and nationalistic intellectuals, looked at these events with suspicion. Local NGOs has faced heavy burden of re-registration procedures, surveillance and financial control over donor funding to them. The term non-government was seen as anti-government, and the tension between NGOs and government became very high so to ensure tight control. Besides, different types of association that were established during the Soviet period still exist and the government defines the civil society within the sphere of Public Associations and GONGOs (Government Organized NGOs). Traditional community, *mahalla*, was found to be the candidate of social capital in Uzbekistan. But in reality, *mahalla* has had twin functions: social control and state service delivery in Uzbekistan.

Yuko Hamada analyzes issues on international migration from the viewpoint of domestic and global governance. The number of international migrants is estimated as 214 million (2009). Remittances, a key by-product of international migration, bring significant impact for developing countries. Different conventions and protocols have been created to establish mechanisms to assist migrants. International conferences are also held to strategize the best ways to promote and protect migrants' rights, as well as maximize migration benefits. Labor-sending countries are also keen to establish bilateral labor arrangements with labor-receiving countries, which could become the means to provide protection mechanisms but not at the expense of competitiveness.

These arrangements are made in a form of the Memorandum of Understanding, which is rather informal and does not create legally binding obligations or processes for any party. Most Memorandum of Understanding's dispute settlements and terms and conditions are in the receiving countries' jurisdiction. This article takes the example of Nepal. The protections of Nepalese migrant workers are not explicitly detailed, some Memorandum of Understandings are not in effect, and destination countries may lack interest in fulfilling the intent behind Nepal's policies. Actually, Nepali migrants received little assistance from the government when they needed it. Migrant workers need space and the option to gather to maintain cultural and religious identities, which are difficult in some destination countries. Banks in both labor-sending and -receiving countries take too much commission. There is little incentive for migrant workers to use the official channel of remittance.

Countries do not look to the use of multilateral governance instruments to manage migration on a global level. Irregular migration remains a significant issue, and improvements to the conditions faced by migrants remains mostly ad-hoc and anecdotal. As a whole, states have been unwilling to integrate migration policy globally for a variety of reasons, ranging from not wanting to affect the competitiveness of its citizens seeking work abroad to concerns about empowering multilateral institutions and the impact on sovereignty and national-level policy development. International migration policy is fragmented and will remain so in the foreseeable future. As long as the labor-sending countries remain fragmented, it will remain easy to keep them divided and focused on competing against each other, rather than raising standards collectively.

5. PROSPECTS FOR SETTING DIRECTION TO GOOD GOVERNANCE

Maybe, the governance direction at the present international donor community is moved over the democratic governance pursued by UNDP, and it is especially so for considering the development and governance direction of LDCs. According to Geraldine Fraser-Moleketi (Director, Democratic Governance Group, 2010) on his article, *A Guide to UNDP Democratic Governance Practice*, "in recent years, Democratic Governance has occupied 37% of UNDP's programmatic resources. UNDP support to national governments focuses upon three branches of government: (i) strengthening legislatures, regional elected bodies, and local assemblies; (ii) supporting public administration reforms, in national governments and local authorities; and (iii) promoting access to justice and the rule of law." All are to pursue strengthening the mechanisms of responsiveness and public accountability and for that purpose, the UNDP aims to grounding Democratic Governance (DG)[11] in International Principles (Moleketi 2010 : 12-13).

For realizing DG, the "Guide" stresses economic development. "If people make use of their voting-rights in elections, but feel no improvement in their day-to-day lives, their trust in democratic processes is likely to erode, and this seems to be the case according to surveys in recent years in both Africa and Latin America." For that purpose, the "Guide" insists that strengthening state capacity is indispensable. For strengthening state capacity, strengthening public administration is indispensable. "Supporting

[11] The "Guide" provides the new definition on democratic governance as follows in p.14, "From the evidence of a practice established by UNDP for over a decade, governance is defined as comprising the mechanisms, processes and institutions that determine how power is exercised, how decisions are made on issues of public concern, and how citizens articulate their interests, exercise their legal rights, meet their obligations and mediate their differences."

public administration reform is a crucial aspect of strengthening governance institutions." "To accelerate MDG progress, the role of the state and the capacity of its public administration at national and sub-national levels had taken a prominent position in the governance debate." "Recent developments clearly highlight the importance of public administration. First, the debate on how to accelerate the achievement of the MDGs has reminded us that weaknesses in governance and public administration are at the heart of many MDG shortcomings. Second, participation and representation is not sufficient to make democracy work for the people, unless a robust public administration can help deliver services. Third, the global call to curb corruption as one of the main impediments to pro-poor development has put the spotlight on public administration. And finally, in the immediate aftermath of conflict, there is a need for a more coordinated UN response in the area of public administration, local governance and financial accountability and transparency." (Moleketi: 16-18, 50-51).

But the problem is not to focus upon making blueprint design but the actual implementation. For long years, good governance doesn't work well. When we analyze individual countries and individual sectors, there are structural hindrances for pursuing good governance elements. That is the political economy structure with vested interests.

The international donor community still has the clear limitations. When they say 'ownership' or 'political dialogue,' it has connections with 'money can buy reform (with conditionality)' or "incentives to which political elites respond and how can they be changed?" This means that the policy direction was pursued within a status quo framework, not to disturb the basic interests of local elite and not with the actual political economy structure. Even though DFID (Department for International Development, UK) insists "Our understanding of governance has broadened and deepened significantly over the past decade…The focus now is about how power is used, and on whose behalf…It takes us into the heart of politics and how political systems work, and whether or not they benefit poor people …Governance work now recognizes the importance of the relationship between states and society…Governance perspectives have shifted from looking exclusively at formal institutions to also assessing how informal institutions (such as patronage systems) influence and shape public policy-making and service delivery," it remained to be a rhetoric in actual implementation.

Academics need to think things more freely without being restricted in their logic by the principle of noninterference and rhetoric of international donor organizations. Our starting point will be the words of Leftwich. He stresses that all development is inescapably political, not managerial and administrative in current technical sense, and is not a business economics or public administrative approach but rather it is politics itself. Politics shapes states, and states shape development. Different politics produce states with different developmental purposes and capacities. In this manner, on the one hand predatory states have emerged, while on the other hand, developmental states have emerged. Development and its intimate association with economic growth have been understood as economic process. But, if development must also be understood as a profoundly political process involving new ways which all manner of resources —both internal and external— are mobilized, directed and deployed in new ways to promote growth and welfare, then how is this intensity complex task to be undertaken, managed and coordinated? The only agency capable of this task on a national basis is the state. Debates over the relationship between democratization and development are the examples (Leftwich 2000: 4-7, 191).

In his 2007 *Literature Review Essay*, Leftwich wrote, "Political processes shape not only the policy goals but the institutional means for attaining them." For understanding political process, "*The formal and informal political culture* plays an important part. It includes the extent of consensus about the very structure of the state." Informal elements include "patrimonial, clientelistic, brokering, para-military and 'shadow state' institutions, organizations and agents in politics." Coalition building is the most important. "Shifting coalitions of elites are the ones who tend, in general, to make policy." "State-economy and state-society relations constitute a very important context for understating the politics of institutional formation and change…Bureaucratic organization, competence and capacity; External support, influence, opposition and conditionality; Political parties; and middle class/professional interests (Leftwich 2007, 23-27).

In implementing good governance, some public policies can be pursued in coordination with present power holders in central and local governments of developing countries. But some public policies will be difficult within the present political economy that is grass-rooted in vested interest of power holders. In that case, pursuing good governance will become a tough work and requires much time.

BIBLIOGRAPHY

Arndt, Christiane and Charles Oman. 2006. *Uses and Abuses of Governance Indicators*. Development Center Studies. OECD.

Blair, Harry. 1997. *Spreading Power to Periphery: An Assessment of Democratic Local Governance*. USAID (download possible).

Cammack, Paul. 2006. Global Governance, State Agency and Competitiveness: The Political Economy of the Commission of Africa, *Political Studies Association (BJPIR),* Vol. 8.

Crocker, Chester A. 2003. Engaging Failing States. *Foreign Affairs*. Sept/ Oct.

DFID Department for International Development (2007): Governance, Development and Democratic Politics – DFID's work on building more effective states, London (download possible).

Dollar, David and Aart Kraay. 2002. *Growth Is Good for the Poor*. World Bank.

Gills, Barry, Joel Rocamora, and Richard Wilson. 1993. *Low Intensity Democracy: Political Power in the New World Order*. London, Boulder.

Grindle, M. S. 2004. Good Enough Governance: Poverty Reduction and Reform in Developing Countries. *Governance*, 17 (4).

Harriss, John. 2002. *Depoliticizing Development: The World Bank and Social Capital.* Anthem Press.

Hutchcroft, Paul D. 2001. Centralization and Decentralization in Administration and Politics: Assessing Territorial Dimensions of Authority and Power. *Governance,* 14(1).

Kaufmann, Daniel, Aart Kraay, and Massimo Mastruzzi. 2005. *Governance Matters, Governance Indicators for 1996-2002.*

Kaufmann, Daniel, Aart Kraay and Massimo Mastruzzi. 2007. Worldwide Governance Indicators Project: Answering the Critics. World Bank, Policy Research Working Paper No. 4149.

Kraay, Aart. 2004. *When Is Growth Pro-Poor.* World Bank.

Leftwich, Adrian. 2000. *States and Development: On the Primacy of Politics.*

Leftwich, Adrian. 2005. Politics in Command: Development Studies and the Rediscovery of Social Sciences. *New Political Economy,* 10(4).

Leftwich. 2007. The Political Approach to Institutional Formation, Maintenance and Change A Literature Review Essay, Discussion Paper

Series No.14, DFID-Funded Research Programme Consortium on Improving Institutions for Pro-Poor Growth.

Meyer, Stefan. 2009. *Governance Assessments and Domestic Accountability: Feeding Domestic Debate and Changing Aid Practices*. FRIDE (download possible).

Moleketi, Geraldine Fraser. 2010. *A Guide to UNDP Democratic Governance Practice*, UNDP (download is possible).

North, Douglas. 1990. *Institutions, Institutional Change and Economic Performance.* Cambridge University Press.

OECD DAC Network on Governance. 2005. Lessons learned on the use of Power and Drivers of Change Analyses in development cooperation, prepared by consultants from COWI (Denmark) and the Institute of Development Studies. Sussex, UK. (download possible).

Otsubo Shigeru, Kimura Hirotsune and Ito Sanae eds. 2009. *Kokusaikaihatugaku Nyumon (Introduction to International Development Studies.* Keiso Shobo, Tokyo.

Robison, R., and Hadiz, V. R. 2004. *Reorganising Power in Indonesia: The Politics of Ooligarchy in an Age of Markets.* New York: Routledge.

Shepherd, Andrew. 2001. Consolidating the Lessons of 50 Years of Development. *Journal of International Development*, 13(3).

Shimizu Koichi. 2000. *Jichitai no Seisaku Keisei Senryaku* (*Policy Strategy of Local Governments*). Gyosei.

Turner, Mark and David Hulme. 1997. *Governance, Administration and Development*. Macmillan.

UK DFID (Department for International Development). 2006. White Paper: E*liminating World Poverty: Making Governance Work for the Poor.* (download is possible).

UNDP. 2000. *A Guide to UNDP Democratic Governance Practice* (download is possible).

World Bank. 1989. Sub-Saharan Africa: From Crisis to Sustainable Growth. Washington.

World Bank. 1997. World Development Report–the State in a Changing World. Washington.

World Bank. 2009. *Problem-Driven Governance and Political Economy Analysis*. (download is possible).

Zakaria, F. 1997. The Rise of Illiberal Democracy. *Foreign Affairs.*

Halaman kosong