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## **COMPARATIVE ANALYSIS OF INDONESIAN AND KOREAN GOVERNANCE**

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# COMPARATIVE ANALYSIS OF INDONESIAN AND KOREAN GOVERNANCE<sup>1</sup>

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January 2011

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<sup>1</sup> The author greatly appreciates the assistance and guidance rendered by ARC staff, without which this research would not be possible, particularly to Directors Prof. Athar Hussain and Dr. Ruth Kattumuri. I also wish to thank my friend with Indonesian expertise, Dr Roger Montgomery, for his valuable comments. The work was accomplished under the auspicious of a joint grant of the ARC with the Korea Foundation, for which I am grateful.

# COMPARATIVE ANALYSIS OF INDONESIAN AND KOREAN GOVERNANCE

## ABSTRACT

This paper overviews governance issues in Indonesia and Korea from a comparative perspective. To do so, the WGI (World Governance Index) developed by the World Bank is employed for a more objective and consistent comparison between the two countries. WGI consists of six dimensions of voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption. The two countries are analyzed and compared by each dimension individually. The paper also examines the operational definition of governance and the rationale of WGI before getting into the analysis of comparative governance issues for the two countries. The point of the paper is not to draw any concluding remarks or policy suggestions, but rather to examine the differences and similarities between two governance systems via a variety of governance dimensions.

## I. INTRODUCTION

This paper examines and compares Indonesia and Korea in their governance paradigms in a broader bird's eye view before getting into the detailed discussion of specific policy issue comparisons in the following sections by the specialists of each policy issue. To address the overall picture of each country's governance system, it is important to set up a scheme that covers most, if not all, of the aspects of the governing paradigm. However both countries share little commonalities in terms of history, culture, religion, resources, and above all governing paradigm. This thus renders comparison even more difficult according to a consistent logical baseline or in one-dimensional individual perspective. The difficulty of this perplexing comparative inquiry can best be solved through the creation of a brand new model with sound theoretical and empirical grounds in sufficient scientific data support. However, it neither seems to be realistic in terms of time and energy required to accomplish such an idealistic project, nor is it possible for an individual researcher to handle and implement such a sizable project. Accordingly, the second best alternative may be to utilize those indices or models which have been already developed by more generally accepted research institute or group of researchers recognized worldwide. World Governance Indicators (WGI) play a part of the solution to this problem in this paper. WGI as it

is employed here is expected to show the whole picture for comparison of governance for each country. It is hoped that WGI, as a governance assessment tool developed by the World Bank, provides a sound rationale for this comparative study, from which future policy directions and guidelines for any governance concept, if possible good governance, will be drawn later. Among many useful tools for governance assessments, WGI is employed in the paper because it gives the most comprehensive and applicable coverage for comparative analysis in overall governance analysis among countries worldwide.

## **II. THEORETICAL BACKGROUND ON GOVERNANCE**

### **GOVERNANCE AND GOOD GOVERNANCE**

Over the last decade, the term ‘governance’ has become so widely quoted by academicians, and so quickly accepted by practitioners, that it has acquired and enjoyed a leading status in the usage of terminologies in public administration research and practice, and even substitutes for the term ‘public administration’ or ‘government’ in many instances. Why is this the case? Is the term ‘governance’ truly different from the traditional terminology of ‘public administration’ or ‘government’? Is governance even any better as a term in encompassing the genuine and full aspects of government operation than public administration? To answer these questions and distinguish these terms from ‘governance’ operationally deserves a seemingly redundant but timely explanation at this point of introductory remarks for this study.

Simply put, the definition of governance is *the activity of governing*. This governing activity may consist of a specific part of management or leadership processes of government systems, and accordingly it may be interpreted to mean *whatever government does is governance*. However, it is sometimes used more abstractly as a synonym for government, in spite of the fact that governance encompasses a wider scope than merely pertaining to governmental activities. A great part of management aspects of non-governmental organizations may even be included in the definition of the term governance, i.e., business and civic organization. The term governance can be applied to any entities or organizations which require a set of processes and policies that affect the way an entity is managed and controlled. It can even enlarge its scope to corporate, international, national, local governance or to the interactions between other sectors of society. Out of these, corporate governance may be a good example, which includes the relationships among the many stakeholders involved for corporate entity. Followed by the shareholders as the principle stakeholders, of the board of directors, employees, customers, creditors, suppliers, regulators, and the community at large can become governing elements in corporate governance.

As such, bearing such a variety in defining the term governance in mind, it is important to make governance efficient, effective, and most importantly good, which is usually regarded as good governance.

Further exploration of the term governance may be found from the comparative perspective used by many international organizations in order to ensure that any country's governance is efficient, effective, and ultimately good. These international institutions have been extensively engaged in an effort to improve the governance capacity for member countries or needy non-member countries. Acknowledging the varying definition of good governance by cultures, needs, and demands for reform for each country, the three major international organizations of IMF, UN, and World Bank have sought to set the different standards for good governance in their own perspectives, but contain many fundamental commonalities, as follows:

Firstly, the IMF declared in 1996 that "promoting good governance in all its aspects, including by ensuring the rule of law, improving the efficiency and accountability of the public sector, and tackling corruption, as essential elements of a framework within which economies can prosper." It insists that corruption within economies is caused by the ineffective governance of the economy, either too much regulation or too little regulation. So in order for any country to receive loans from the IMF, certain good governance policies must be put in place, as determined by the IMF (IMF, 2005).

Secondly, the United Nations emphasizes reform through human development and political institution reform. (Agere, 2000) To be more specific, UN ESCAP proposes good governance with eight major characteristics. They are participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follow the rule of law. UN ESCAP assures that corruption should be minimized, the views of minorities should be taken into account and that the voices of the most vulnerable in society must be reasonably heard in decision-making. (UN ESCAP, 2009)

Finally, the World Bank is more concerned with the reform of economic and social resources control. (Agere, 2000) In 1992, the World Bank underlined three aspects of society which chiefly affects the nature of a country's governance: i) the type of political regime; ii) the process by which authority is exercised in the management of the economic and social resources, with a view to development; and iii) the capacity of governments to formulate policies and have them effectively implemented. (World Bank, 1992)

These three international institutions focus on governance issues for their own goods and reasons respectively: IMF for economic emphasis, UN for political reason, and WB for investment purposes. However, it should be noted here that good governance may imply many different things in many different contexts. Nevertheless, for the last decade, the concept of good governance has often been regarded as a model to compare ineffective economies or political bodies of developing countries with viable economies and political bodies in the developed countries in the western hemisphere. This was because the most successful governments in the contemporary world are liberal democratic states concentrated in Europe and the Americas, and those countries' institutions often set the standards by which to compare other states' institutions in the developing countries (Kahn, 2004; Poluha and Rosendahl, 2002; Agere, 2000). As a result of this value-laden understanding of good governance by those international organizations and others, there remains a considerable tendency to lean toward western hemispheric practices and exercises, because the concept of good governance addresses the key characteristics of democracy in political ideology, liberalism in economic ideology, and effectiveness in administration perspective (Kahn, 2004). Although WGI measures used in this paper are not able to render it free at a certain degree from the seemingly unfair practice of good governance standards dominated by the capitalistic western world, it is still adopted as criteria for comparative purposes due to its relative advantages of comparability than others. Needless to say, this does not necessarily mean that non-western countries should not adopt characteristics of politically democratic, economically liberal, and administratively effective governance without much concern for each country's unique traditions and history.

## **ASSESSING GOOD GOVERNANCE**

In determining what, which, and to what extent good governance happens, it is critical to assess the quality of governance from various perspectives. There have been many efforts to assess and measure governance quality of countries worldwide for the last decade. Due to the abstract and obscure nature of the term governance, it is inherently a controversial debate and sensitive political exercise to measure the genuine nature of governance. However, a variety of assessment efforts have been attempted in different ways such as peer assessments, self-assessments, and external assessments. Here are some examples of those endeavors.

***Peer Assessment*** A good example of a peer assessment may be the African Peer Review Mechanism (APRM) which is a mutually agreed and shared voluntary instrument by the member states of the African Union (AU) as a self-monitoring mechanism founded in 2003. The mandate

of the APRM is to encourage conformity in regard to political, economic and corporate governance values, codes and standards, among African countries and the objectives in socio-economic development within the New Partnership for Africa's Development.<sup>2</sup>

**Self Assessment** Examples of self-assessments may be country-led assessments that can be led by individual government, civil society, researchers and other stakeholders at the national level. One example is the Governance Assessment Portal (GAP) which implements the democratic governance assessments. It provides UNDP staff, national counterparts and the wider community of stakeholders with a variety of country-level assessment information. Main features on democratic governance include those concepts of inclusive participation, accountability and responsiveness of governing institutions, human rights, and gender equity and integrity. (<http://gaportal.org/country-initiatives>)

Another example of country-led self-assessments may be the Indonesia Democracy Index (IDI)<sup>3</sup>, of which contents include those concepts of civil liberties, political rights, and democratic institutions. After the introduction of numerous innovative measures on the quality governance such as democratic elections in 1999 and 2004, constitutional amendments, new political parties, the reform of basic political laws, and decentralization over 33 provinces and 500 districts and municipalities, Indonesia adopted IDI to provide an inclusive and consultative framework for the systemic assessment of democratic governance goals. It is expected for Indonesian government to provide a method for identifying good practices, learning across regions and further consolidating democratic reform.

The Mongolia Millennium Development Goal 9 (MDG9) on Human Rights and Democratic Governance is another example. Mongolia's MDG9 on human rights and democratic governance is a unique Mongolian version of the UN MDGs as a national goal. When signing on to the eight

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<sup>2</sup> The APRM was established by the 37th Summit of the Organisation of African Unity (AU) in 2001 and set out a new vision for the revival and development of Africa. Each country is required to believe in just, honest, transparent, accountable and participatory government and probity in public life. The main characteristics of it are: the rule of law; the equality of all citizens before the law; individual and collective freedoms; the right to participate in free, credible and democratic political processes; adherence to the separation of powers; and protection for the independence of the judiciary and the effectiveness of parliaments.

<sup>3</sup> The Indonesian Democracy Index (IDI) is now an official target under Indonesia's National Medium-Term Development Plan (RPJMN) 2010-2014. It has various sub-variables for three broader contents of civil liberties, political liberties, and democratic institutes. (<http://www.gaportal.org/undp-supported/indonesia>)

UN MDGs<sup>4</sup>, Mongolia added a ninth goal of *human rights and democratic governance*, thus called ‘MDG9’. One may consider the Gross National Happiness Index (GNHI) in Bhutan<sup>5</sup> as another unique and interesting example of self-assessment. The Bhutanese government officially adopted “Gross National Happiness” (GNH) as its development philosophy in 1972, and the GNHI as its official statistic to measure development over time. Refusing to define development exclusively in material terms, the Bhutanese rather emphasize the need to secure a harmonious balance between the physical, social, spiritual, psychological and cultural well-being of individuals.

**External Assessment** Examples of external assessments may be donor assessments or comparative indices produced by the international non-governmental organizations. One good example of an external assessment which creates an internationally comparable measure of governance is the Worldwide Governance Indicators (WGI) project, developed by members of the World Bank and the World Bank Institute. To complement this macro-level cross-country WGI, the World Bank Institute developed the World Bank Governance Survey<sup>6</sup>, which is a country level governance assessment tool that operates at the micro or sub-national level. It utilizes information gathered from a country’s own citizens, business people and public sector workers to diagnose governance vulnerabilities, and suggest concrete approaches for fighting corruption. Although the survey process is tailored to each country for addressing individual governance context and priorities, the standard survey process is standardized by seven stages of: preparatory, partnership-promoting, development, fieldwork, analytical and action planning, dissemination, and follow-up stage.

Another example of external assessment is the Sustainable Governance Indicators (SGI) published by the Bertelsmann Foundation<sup>7</sup> in 2009, which systematically measure the need for

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<sup>4</sup> MDGs were adopted by UN Millennium Summit in 2000 to tackle eight world-wide issues of poverty and hunger, universal education, gender equality, child health, HIV/AIDS, environmental sustainability, and global partnership, and to set out a series of time-bound targets with a deadline of 2015. (<http://www.gaportal.org/undp-supported/mongolia>)

<sup>5</sup> The concept of gross national happiness (GNH) is to define an indicator that measures quality of life in more holistic and psychological terms than GDP developed in Bhutan. Since its introduction, the GNH Index has captured the world’s attention, but the realistic obstacles remain to solve the problem of its operationalization. (<http://www.gaportal.org/bhutan-planning-happiness>)

<sup>6</sup> The World Bank Governance Surveys are diagnostic tools used to assist World Bank partner governments in measuring and mapping governance challenges within the public sector structure. Survey questionnaires are applied to households, private enterprises and public officials within the country to assess both perceptions and direct experiences with corruption and the state.

<sup>7</sup> The Bertelsmann Foundation is the largest private operating non-profit foundation in Germany created in 1977 by the Bertelsmann and Mohn families. The foundation developed the BTI (Bertelsmann Transformation Index) in 2002 and SGI in 2009 for assessing democracy and market economy. Using a similar approach to BTI, the SGI evaluate the extent to which OECD member states are in a



reform and the capacity for reform within the Organization for Economic Co-operation and Development (OECD) countries. The project examines to what extent governments can identify, formulate and implement effective reforms that render a society well-equipped to meet future challenges, and ensure their future viability. The SGI is updated biennially and the next updated edition is expected to be published in 2011. Status Index scores of SGI are composite measures, based on numerous quantitative and qualitative assessments. The democracy category counts for half of the index score, while socioeconomics and the four policy-specific categories collectively provide the remainder (Empter & Janning, 2009).

### III. GOVERNANCE ASSESSMENT TOOL OF THE ANALYSIS

Among various governance assessment tools, the analysis of this paper borrows WGI as a frame of reference because it provides with the most internationally comparable measure of governance. WGI aggregate indices supplied with individual indicators for more than 200 countries for six dimensions of governance, which will be discussed in the later parts of this paper.

**Analytic Framework** Theoretical framework of the paper is the crucial backbone conceptually and analytically with which two countries' governances of Korea and Indonesia are compared and contrasted. It plays an overarching role of the umbrella under which six dimensional sub-groups are divided into so that they can be distinguished from each other for each dimension. Accordingly, it serves as the underpinning grounds from which policy implications will be drawn afterwards. In order to see the differences and similarities between two countries in a broader context, it should cover as many factors as possible, if not all, such as geopolitical, socioeconomic, physical, and cultural aspects. However, for the purpose of the issues concentrated in this analysis, a proposed framework limits its boundary within the selected governance features along with several key factors which characterize the uniqueness of each Republic. With these considerations in mind, the paper examines six key aspects of proposed governance characteristics which were assumed and examined in the development of WGI by World Bank WGI, employed in the paper, is produced in the World Bank reports on the 2009 update of the Worldwide Governance Indicators (WGI) research project. It covers 212 countries and territories, measuring six dimensions of governance between 1996 and 2008. Those six

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position, given changing domestic and international conditions, to implement the reforms necessary for ensuring their future viability. Since its inception, the foundation spent around €65 million on nonprofit projects. The total budget for the 2005 fiscal year has amounted to €56.7 million, 76.9 % of which is the share of the Bertelsmann's company. (<http://www.bertelsmann-stiftung.de>)

dimensions include voice and accountability, political stability and absence of violence/terrorism, government effectiveness, regulatory quality, rule of law, and control of corruption. World Bank operationalises those six dimensions as shown in the appendix I.

According to WB, these aggregate indicators are based on hundreds of specific and disaggregated individual variables measuring various dimensions of governance, taken from 35 data sources provided by 33 different organizations. It is said that the data reflect the views on governance of public sector, private sector and NGO experts, and thousands of citizen and firm survey respondents worldwide. While acknowledging the margins of error for each country estimate<sup>8</sup>, WGI developers insist that even after taking margins of error into account, the WGI permit meaningful cross-country comparisons as well as monitoring progress over time. (Kaufmann, et al., 2009)

***Rationale of WGI*** Undertaking the project of governance assessment tool development objectively and quantitatively is not an easy research task, and it is even more difficult when it comes to implementation of a particular case where it lacks a universal applicability due to the unique characteristics of its environment. Therefore, instead of developing an empirically yet to be tested hypothesis model, this study borrows the analytic framework that has been developed by the widely-accepted international organization, i.e., World Bank. The main reason of this borrowing is the plausibility of the analytic framework and thus its appealing advantage of this governance indicator may be utilized more in terms of objectivity and legitimacy than any others, particularly in an international context.

***Weakness of WGI*** Although the WGI is widely utilized by international investors, donors of official development assistance, development analysts, government policymakers, and academics, there are many critics as well. (Arndt and Oman, 2006; Knack, 2006; Thomas, 2006; Jevons, 2008a; and Jevons, 2008b) One study raises a critical question in the sense that the WGI analysis concludes that the six indexes do not discriminate usefully among different aspects of governance. Rather, it insists that each of the indexes merely reflects perceptions of the quality of governance more broadly<sup>9</sup>, therefore, the implication of its findings are frequently misused in research and policy applications, where it is commonly assumed that the indexes provide distinct measures of

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<sup>8</sup> However, as World Bank study cautions, these aggregate indicators are useful for broad cross-country and over-time comparisons of governance, but all such comparisons should take appropriate account of the margins of error associated with the governance estimates. Therefore of a particular note is that the analysis of this chapter is not an exception of it in employing WGI.

<sup>9</sup> Note that WGI is a perception index, not a real statistical figure.

different aspects of the quality of governance (Jevons, 2008a). Along with the line of the above logic, most critics on the WGI converge into the lack of conceptual framework of governance and the tilt toward western values and norms. For example, Jevons (2008b) argues that the concept of WGI does not reflect the genuine aspect of citizen's quality of life because they almost completely neglect citizens' evaluations of governance outcomes reflecting any impacts on the quality of life. He also criticizes the use of flawed and biased primary indicators that mostly capture Western business perspectives on governance processes using one-size-fits-all norms about such processes. As the cases in the most of the governance indicators, WGI also bears those problems such as the likelihood of correlation errors, the lack of comparability over time, sample bias, and insufficient transparency. (Arndt and Oman, 2006) There also raises the question of the estimates for governance for different countries in WGI which may be based on different underlying data sources. Another criticism is that changes over time in some of the individual indicators reflect corrections of past errors rather than actual changes (Knack, 2006). Thomas (2006) even criticizes that the WGI lacks validity of each variable's operational definition, and as a result, WGI forces policymakers to use them arbitrarily.

As such, of cautious and significant note here is that any governance assessment frameworks including WGI are typically applied to different countries without regards to the adaptability of WGI into the specific country's context and circumstances. In the pursuit of adhering to internationally recognized principles and securing cross-country comparability, national specifics may often receive a low priority. The result can be disengaged stakeholders and assessment findings that are too generic to be useful for designing reforms. (<http://www.gaportal.org>) Accordingly, this study bears the probabilities of those shortfalls in mind so as not to make any hasty judgments for either country.

#### **IV. COMPARATIVE GOVERNANCE ANALYSIS BETWEEN INDONESIA AND KOREA VIA WGI**

##### **OVERVIEW OF TWO COUNTRIES' WGIs**

WGI list is the country's performance for all available years between 1996 and 2008 in six governance dimension as displayed in the above. It shows the country's percentile rank on one of the six governance indicators. Percentile ranks indicate the percentage of countries worldwide that rate below the selected country. Higher values thus indicate better governance ratings. It also provides the graph of 10 years trend for each country, however, the graphs are not provided here

due to the nature of this study of cross-sectional comparative analysis, rather than longitudinal individual country analysis. Instead the <Table 1> below provides the aggregate statistics for two countries of Indonesia and Korea.

Writers of WGI insist that there is roughly a 70% chance that the level of governance is within the range of plus or minus one standard error of the point estimate of governance (Kaufmann et. al., 2009). Assuming that standard errors and numbers of sources are considered to be valid, estimate figures are the key figures in discussion. Figures for 10 year observations in six dimensions of Indonesia show mostly negative, which means for Indonesia occupied in the lower ends in relation with other countries worldwide. In the meantime, Korea's estimate figures appear in the higher ends than Indonesia for each dimension for 10 years data. Overall, Indonesia seems to be in greater need [?] for the improvement of governance than Korea in every dimension of WGI.

**<Table 1> Historical Raw Data of Each Dimension for Korea and Indonesia**

		2008	2007	2006	2005	2004	2003	2002	2000	1998	1996
	Country	EST. S.E. N	EST. S.E. N	EST. S.E. N	EST. S.E. N	EST. S.E. N	EST. S.E. N	EST. S.E. N	EST. S.E. N	EST. S.E. N	EST. S.E. N
VA	Indonesia	-0.14 0.12 16	-0.15 0.12 15	-0.18 0.13 15	-0.18 0.15 12	-0.33 0.16 11	-0.41 0.15 10	-0.41 0.17 9	-0.40 0.21 7	-1.04 0.23 6	-1.17 0.23 5
	Korea	0.59 0.13 13	0.65 0.13 12	0.61 0.15 12	0.75 0.16 10	0.71 0.17 9	0.75 0.17 9	0.74 0.17 9	0.61 0.21 7	0.62 0.23 6	0.50 0.23 5
PV	Indonesia	-1.00 0.20 11	-1.08 0.20 11	-1.21 0.20 11	-1.25 0.21 10	-1.54 0.22 10	-1.99 0.23 9	-1.61 0.22 9	-1.69 0.23 7	-1.39 0.24	-0.85 0.32 5
	Korea	0.41 0.20 11	0.45 0.20 11	0.41 0.20 11	0.56 0.21 10	0.49 0.22 10	0.33 0.23 9	0.31 0.22 9	0.17 0.23 7	0.14 0.24 6	0.26 0.32 5
GE	Indonesia	-0.29 0.17 13	-0.39 0.16 15	-0.37 0.14 15	-0.46 0.14 13	-0.43 0.15 13	-0.56 0.15 12	-0.63 0.15 12	-0.50 0.15 9	-0.85 0.13 8	0.06 0.23 7
	Korea	1.26 0.17 12	1.29 0.17 13	1.18 0.16 13	1.03 0.16 11	0.99 0.16 11	0.94 0.15 11	0.96 0.16 11	0.79 0.17 8	0.39 0.13 8	0.90 0.26 6
RQ	Indonesia	-0.27 0.16 12	-0.30 0.17 13	-0.31 0.17 13	-0.48 0.17 12	-0.63 0.17 12	-0.65 0.16 11	-0.71 0.19 11	-0.31 0.20 9	-0.27 0.23 8	0.35 0.23 7
	Korea	0.73 0.17 11	0.88 0.18 11	0.70 0.18 11	0.79 0.17 10	0.79 0.18 10	0.67 0.17 10	0.77 0.19 10	0.58 0.20 8	0.33 0.23 8	0.46 0.24 6
RL	Indonesia	-0.66 0.13 18	-0.70 0.13 19	-0.74 0.13 19	-0.84 0.14 16	-0.78 0.13 16	-0.95 0.14 15	-1.01 0.14 14	-0.81 0.14 12	-0.72 0.17 10	-0.31 0.21 8
	Korea	0.79 0.14 15	0.90 0.14 15	0.74 0.13 15	0.85 0.14 13	0.75 0.14 13	0.70 0.14 13	0.84 0.14 13	0.80 0.14 11	0.74 0.17 10	0.78 0.21 8
CC	Indonesia	-0.64 0.13 17	-0.69 0.12 18	-0.77 0.12 18	-0.87 0.13 15	-0.91 0.13 15	-0.97 0.14 12	-1.13 0.14 11	-0.98 0.14 10	-1.16 0.17 9	-0.51 0.18 7
	Korea	0.45 0.13 14	0.46 0.12 14	0.39 0.12 14	0.63 0.13 12	0.38 0.13 12	0.40 0.14 10	0.47 0.15 10	0.27 0.15 9	0.21 0.17 9	0.43 0.18 7

Notes: In the Table 1, "Est." refers to estimate, "S.E." refers to standard errors, and "N." refers to number of sources.

## COMPARISON OF TWO COUNTRIES BY INDIVIDUAL DIMENSION

Six dimensions of WGI are analyzed and compared in the following for two countries individually. For each dimension, two countries are compared in the percentile rankings by the year of 2008 only and historically in overall. <Table 2> shows the percentage size of each

country. <Table 3> summarizes the original longitudinal data for each country.<sup>10</sup> Simply for the purpose of comparison with extreme cases so as to see the relative status of two countries in relation with those extreme countries, <Table> 4 shows a clearer picture of each country's positioning in the worldwide statistics. Those countries selected are Finland, France, and New Zealand for higher scored countries, and Rwanda, Togo, and Viet Nam for lower ones.<sup>11</sup>

**<Table 2> Selected Worldwide Percentile Rankings for two countries in 2008**

	Korea	Indonesia
Voice & Accountability	65	45
Political Stability and Lack of Violence/Terrorism	60	25
Government Effectiveness	86	48
Regulatory Quality	72	45
Rule of Law	75	29
Control of Corruption	70	30

Note: Figures are rounded and adjusted from the country data report for respective countries in question for the purpose of comparison. Percentile rank indicates the percentage of countries worldwide that rate below the selected country (*Governance Matters 2009*, World Bank Institute)

**<Table 3> Estimated Historical WGIs of Each Dimension for Korean and Indonesia**

		2008	2007	2006	2005	2004	2003	2002	2000	1998	1996
VA	Indonesia	-0.14	-0.15	-0.18	-0.18	-0.33	-0.41	-0.41	-0.40	-1.04	-1.17
	Korea	0.59	0.65	0.61	0.75	0.71	0.75	0.74	0.61	0.62	0.50
PV	Indonesia	-1.00	-1.08	-1.21	-1.25	-1.54	-1.99	-1.61	-1.69	-1.39	-0.85
	Korea	0.41	0.45	0.41	0.56	0.49	0.33	0.31	0.17	0.14	0.26
GE	Indonesia	-0.29	-0.39	-0.46	-0.46	-0.43	-0.56	-0.63	-0.50	-0.85	0.06
	Korea	1.26	1.29	1.03	1.03	0.99	0.94	0.96	0.79	0.39	0.90
RQ	Indonesia	-0.27	-0.30	-0.31	-0.48	-0.63	-0.65	-0.71	-0.31	-0.27	0.35
	Korea	0.73	0.88	0.70	0.79	0.79	0.67	0.77	0.58	0.33	0.46
RL	Indonesia	-0.66	-0.70	-0.74	-0.84	-0.78	-0.95	-1.01	-0.81	-0.72	-0.31
	Korea	0.79	0.90	0.74	0.85	0.75	0.70	0.84	0.80	0.74	0.78
CC	Indonesia	-0.64	-0.69	-0.77	-0.87	-0.91	-0.97	-1.13	-0.98	-1.16	-0.51
	Korea	0.45	0.46	0.39	0.63	0.38	0.40	0.47	0.27	0.21	0.43

<sup>10</sup> These are not the ranking data and ranges from maximum +2 to Minimum -2. Negative figures means poor performance, while positive ones are relatively good.

<sup>11</sup> The selection of these countries is based solely on the comparison purpose without any prejudice for each country.

### ***Voice and Accountability (VA)***

The dimension of voice and accountability covers those issues of the degree of citizen participation in government and in the policy making process. Accountability can be used synonymously with such concepts as responsibility, answerability, blameworthiness, liability, and other terms associated with the expectation of account-giving. It may be divided into various types such as moral, administrative, political, managerial, market, legal, constituency, and professional accountability (Jabbara and Dwivedi, 1989). To enhance the quality of this indicator, civil liberties in terms of the freedom of speech, assembly, demonstration, religion, and equal opportunity should be not only properly and systematically secured, but also significantly improved. Also the political rights in terms of free and fair elections, representative legislative, free vote, political parties, no dominant group, respects for minorities should appropriately be secured, and the military involvement in politics and the inclusiveness and patronage practice should not be exercised.

In order for people's voices to be heard properly and in a timely fashion into the governing body and be accountable, news media should be able to publish or broadcast stories of their choosing without fear of censorship or retaliation. People should not be imprisoned because of their ethnicity, race, or their political, religious beliefs as well. The transparency of public action in the economic field and governmental policy such as fiscal, taxation, monetary, and exchange-rate should be systemized in the governance structure as well as the fare and competition-based award of public procurement contracts, and delegation of public service must be in orderly arrangement.

**<Table 4> Selected Higher and Lower Scored Countries for Voice & Accountability**

Group	Countries	2008	2007	2006	2005	2004	2003	2002	2000	1998	1996
Countries in Comparison	Indonesia	-0.14	0.65	-0.18	-0.18	-0.41	-0.41	-0.41	-0.40	-1.04	-1.17
	Korea	0.59	-0.15	0.61	0.75	0.75	0.75	0.74	0.61	0.62	0.50
Higher Scored Countries	Finland	1.48	1.48	1.55	1.72	1.81	1.57	1.54	1.74	1.49	1.39
	France	1.24	1.25	1.34	1.47	1.43	1.08	1.10	1.12	1.11	1.02
	New Zealand	1.48	1.49	1.52	1.66	1.68	1.60	1.57	1.64	1.61	1.59
Lower Scored Countries	Rwanda	-1.13	-1.25	-1.27	-1.30	-1.37	-1.26	-1.49	-1.50	-1.34	-1.33
	Togo	-1.62	-1.22	-1.35	-1.43	-1.31	-1.41	-1.46	-1.26	-1.18	-1.04
	Viet Nam	-1.24	-1.60	-1.59	-1.43	-1.39	-1.54	-1.50	-1.27	-1.36	-1.50

As shown in <Table 4>, countries with higher scores of WGI have scores of over positive 1.00 less than positive 2, while those in lower scores have under negative 1.00 less than negative 2.00. In comparison with those samples, Korea stays lower than those high scored countries, whereas Indonesia marks better than the lower scored countries quoted here.

In this respect, the voice and accountability indicator for Indonesia WGI indices marks relatively low at about 45% range in the worldwide ranking scheme, whereas Korea marks at 65% range (Table 2). Therefore it is fair to say that Indonesia should put more policy emphasis on improving voice and accountability measures. In fact, there has been a tremendous effort by Indonesia to make government more democratic and responsive. Indonesia has been undergoing an important transition towards democracy over the past decade. Democratic elections in 1999 and 2004, constitutional amendments, new institutions like the Regional Representative Council and the reform of basic political laws have introduced democratic practices and good governance principles. New political parties have been allowed to form and contest general elections, and the president was directly elected for the first time in 2004. In addition, the country is undergoing the decentralization of its government and services, delegating power from the centre to 33 provinces and over 500 districts and municipalities. Various efforts have been made recently and now they are vigorously under progress in Indonesia.

A more concrete and specific national and local government effort may be the Indonesian Democracy Index (IDI) project which is the collaborated endeavour between the National Development Planning Agency (Bappenas) and United Nations Development Programme (UNDP) to improve more democratic governance. The Central Statistics Bureau (BPS) and Regional Development Planning Agencies (Bappeda) are also collaborating on the project of governance improvement in Indonesia. This project has two main functions: 1) Bappenas will use the IDI as its tool for political development planning, which will be included in Indonesia's Mid-Term Development Plan 2010-2014; 2). The public represented by civil society organizations, universities and related stake-holders will be able to utilize the IDI as tool to understand the democratic development in Indonesia and as a way to benchmark the government's development planning. Main components of IDI include civil liberty, political rights, and democratic institutions, all of which are the basic ingredients of the democratic governance. The content of civil liberty embraces those issues of the freedom of assembly, speech, worship, and the freedom from fear and discrimination. Political rights concept covers those of the right to vote and to be elected, people's participation in decision making processes, people's participation in, and

government's oversight. The concept of democratic institutions includes free and fair elections and roles of the parliament, political parties, and local governments, and independency judiciary. (<http://www.undp.or.id>) Indonesia will mark much higher scores in WGI upon the successful implementation of this project thereafter. Recent two democratic elections evidenced in 1999 and 2004 have already changed the whole of Indonesian political climate and psychology, in which the grass-root citizens play the vigilant watchdogs on the political elites' undemocratic wrongdoings. As a result of these efforts, Indonesia is expected to accomplish its score in this measure near future unlike as it has been so far.

In the meantime, the Korea has a democratic form of government based on the separation of power and a system of checks and balances. Since the first adoption of the Constitution in 1948 when the Republic was established, it has been revised nine times as the country struggled to make democracy work effectively. It guarantees the basic rights and freedoms of the people, including equality before the law, the freedom from arbitrary arrest, the freedom of residence, the right to vote and hold public office, the right to privacy and freedom of religion, speech, the press and assembly, and the right to a clean environment and to seek happiness. Most of the voice and accountability characteristics in Korea as such are strictly institutionalized in the Constitution and implemented accordingly. In addition, the Constitution even installed the direct presidential election only for a single five-year term in order to assure the spirit of democracy and accountability in the early 1980s. One other historical take-off measure in the process of democratization was the institutionalization of Local Autonomy for the first time in 30 years after the establishment of the Republic, which brought about the groundbreaking momentum on local grassroots' voices into the governmental policymaking processes. These two provisions have played a key role in the strengthening of democratic participation through people's voices to be heard by the government and hence enhancing greatly government accountability. With all these democratic policy measures, Korea is in a state of relatively fair status of democratic governance, however still needs to be further advanced compared to the well advanced western countries such as Finland, France, and New Zealand.

#### ***Political Stability and Absence of Violence (PV)***

This indicator addresses those factors which undermine political stability such as conflicts of ethnic, religious, and regional nature, violent actions by underground political organizations, violent social conflicts, and external public security. Also included are assessments of fractionalization of the political spectrum and the power of these factions, fractionalization by



language, ethnic or religious groups and the power of these factions and restrictive measures required to retain power. Societal conflict involving demonstrations, strikes, and street violence are also considered in this indicator, as well as the *military coup* risk. Major insurgency and rebellion, political terrorism, political assassination, major urban riots, armed conflict, and state of emergency or martial law are also major determinants of this indicator.

Internal conflict like political violence and its influence on governance is assessed in this measure and external conflict measure is also employed to assess both the risk to the incumbent government and to inward investment. Government stability is measured for the government's ability to carry out its declared programs, and its ability to stay in office. Ethnic tensions component measures the degree of tension within a country attributable to racial, national, or language divisions.

With over 240 million people, Indonesia includes numerous related but distinct cultural and linguistic groups, many of which are ethnically Malay. Constitutional guarantees of religious freedom apply to the six religions recognized by the state, such as the great majority of Islam constituting roughly 86 percent, Protestantism, Catholicism, Hinduism, Buddhism, and Confucianism. In the extreme case of the resort island of Bali, over 90 percent of the population practices Hinduism, whereas in some rural regions, even animism is still in practice. (<http://www.state.gov/r/pa>) A variety of ethnic groups in Indonesia as such may lead to low level of participation from different ethnic groups, so that the vast majority of Islam can dominate state politics resulting in other groups left behind the legal and official policy making process depending upon unlawful and unofficial exploration of their interests.

South Korea on the other hand is characterized by a very high level of cultural and linguistic homogeneity; it has no significant 'ethnic' minorities (Kim, 1997:101). This is contrast to Indonesia, where literally scores of different and competing ethnic groups have been corralled into arbitrary nation-states delineated by European colonialism. Because Indonesia is a multi-ethnic society with ethnic minorities very active in the economy, public sector-private sector relations have often been conflictual (Gary, 1999; Hawes and Lui, 1993). Indonesia has suffered for a long time from political instability and violence, thus showing the indicator of negative figures throughout the measuring period. In terms of its worldwide ranking, Indonesia's positions in the region are less than the 25 percentile, whereas Korea stays in the range of 60 percent. (Table 2) Thus it seems that political stability is regarded as the major national target for Indonesia, according to WGI.

However, judging from another worldwide governance index such as the IMD Index by the IMD World Competitiveness Yearbook 2009, Indonesia ranks higher than Korea for political stability. Indonesia scored 4.93, whereas Korea and Japan scored 4.39 and 4.77 respectively.<sup>12</sup> This means that the different selection of operational definitions on each governance measure could make a difference, which raises the question of the validity of WGI measures. Considering the fact that recent political developments have been immensely successful for the last decade in Indonesia[ WGI's operational definition of the political stability and absence of violence dimension may undermine the accuracy and reliability of WGI.

### ***Government Effectiveness (GE)***

Government effectiveness measures the quality of public services and policy formulation and implementation, and thus indicates the credibility of the government's commitment to such policies. Government effectiveness covers an even wider range of measures such as government-citizen relations, quality of the supply of public goods and services, and capacity of the political authorities. The negative aspects of this measure include government instability with significant personnel turnover rate, government ineffectiveness with low personnel quality, institutional failure which deteriorates government capacity to cope with national problems as a result of institutional rigidity that reduces the economic growth. It also includes the low level of global e-government, and low quality of bureaucracy with excessive bureaucracy or red tape. Most of all among others, the quality of bureaucracy plays a critical role in improving government effectiveness. It is determined by the measures of institutional strength and quality of the civil service, and assessed by how much strength and expertise bureaucrats have and how able they are to manage political alternations without drastic interruptions in policy changes. The better the bureaucracy the quicker decisions are made and the more easily foreign investors can go about their business.

As for Indonesia, one recent survey<sup>13</sup> that ranks Indonesia's bureaucracy as among the worst points out that it is inefficient, with red tape a constant blight to citizens and deterrent to foreign

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<sup>12</sup> IMD's WCC (World Competitiveness Center) has been conducting worldwide research in the field of competitiveness of nations and enterprises since 1989. WCY (World Competitiveness Yearbook) is the product of ranking research for 58 nations based on over 300 criteria. ([www.imd.ch](http://www.imd.ch)). In 2009, WCY index ranges from 1.0 for very high and 10.0 for very low in terms of the risk of political instability among 57 countries of participated in the survey. (IMD, 2009)

<sup>13</sup> This survey was of the expatriate business executive by the Political and Economic Risk Consultancy (PERC) in Hong Kong in 2010. It ranks 12 key countries and territories in Asia on a scale from one to 10, with 10 as the worst possible score. India had a score of 9.41, followed by Indonesia (8.59), the Philippines (8.37), Vietnam (8.13) and China (7.93). Malaysia was in sixth place from the bottom with a score of 6.97, followed by Taiwan (6.60), Japan (6.57), South Korea (6.13) and Thailand (5.53). Singapore was ranked has having the most efficient bureaucracy, with a score of 2.53, followed by Hong Kong with 3.49.

investment, so that bureaucracies may even become “power centres” in their own right, allowing them to effectively resist efforts toward reforms by politicians and appointed officials.(France-Presse, 2010) Despite President Susilo Bambang Yudhoyono’s strong election mandate and commitment, it still seems that the President himself lacks the power to really shake up Indonesia’s bureaucracy. In WGI, Indonesian government ranks below 48 percent in the world, whereas Korea ranks at 86 percent range in 2008. (Table 2) This means that it is more urgent for Indonesian government to ensure bureaucratic effectiveness than for Korean government. Of particular and interesting note is that Indonesia scored 0.06 in overall estimate figures in 1996, which led to a dramatic drop down to minus 0.86 in 1998. (Table 1) This incident deserves explanation for two contextual reasons. First, poor enforcement of environmental law, which has not been addressed for a long time mainly due to corruption, resulted in the Indonesian Forest Fires of 1997. This fire caused serious regional health problems and economic losses, ecological hazards, and created government inefficiency and ineffectiveness. Second, the Asian Financial Crisis in 1997 struck Indonesian government with poor management as well, which brought about the dramatic downfall of government effectiveness in 1997.

Like Indonesia, Korea experienced similar hardship in the same period, but to a lesser degree. The origins of this are that Korea started its systematic administrative reform in the early 1960s when the military regime begun its rule. Many policy measures were implemented to eradicate bureaucratic corruption which seriously undermined government effectiveness and efficiency. Since the 1960s, numerous administrative reform packages have been adopted by regime after regime. As a result of these endless efforts in Korea, government effectiveness and efficiency today has reached the highest point of its history. Particularly rapidly changing information technology in recent years has made Korean bureaucracy even more effective and efficient due to the leading role of information technology applications in governmental administration.

### ***Regulatory Quality (RQ)***

The regulatory quality indicator of WGI defines the capacity for government to formulate and implement sound policies and regulations that permit and promote private sector development. It covers the concept of business start-up formalities set by government, the difference between government-regulated administrative prices and self-controlled market prices, the ease of market entry for new firms, and the competition regulation arrangements between or among businesses. It also includes the issues of export and import regulations, restrictions on ownership of business and equity by non-residents, unfair competitive practices, price controls, discriminatory tariffs,

excessive protections, government regulations on stock exchange or capital markets, and foreign investment. A distorted tax system, heavy import barriers, limited local market competition, ineffective anti-monopoly policy, overly environmental regulations, and complex tax collection system may also become factors to be considered. In developing countries particularly, the rural region regulations on local financial services, local businesses, and agricultural produce market may determine the quality of this indicator as well. Other factors affecting regulatory quality indicators also include financial institutions' transparency, public sector contracts open to foreign bidders, anti-protectionism measures to other countries, and reduction of subsidies to specific industries.

After taking all these factors into consideration, Indonesia stands below 45 percent in the percentage ranking scale of WGI, while Korea was at the 72 percent mark in 2008 (Table 2). In terms of the absolute estimate for each year as shown in Table 1, Indonesia shows a relatively poor performance although continuously gradual improvements each year since 2003. These two indicators imply that Indonesia still needs changes in government regulation policies to compete with other countries in the global market environment. One good example is insufficient deregulation is shown in the analysis of the deregulation policy of inter-regional agricultural trade (Montgomery, 2002). Indonesia puts efforts into eliminating distorted local monopolies, monopsonies, trade restrictions, inter-island maximum shipment quotas and other barriers for effective farming business in 1998. Montgomery (2002:93-113) points out that much has been accomplished with the introduction of deregulation policy measures in agriculture; however, there still remain policy issues to be solved such as the deregulation on the market allocation and non-tax price distortion.

In the meantime, Korea has improved steadily year by year, although there still requires much more space to advance in comparison with other advanced countries. Still, Korea's efforts to improve the regulatory quality have not been small. The Korean government has recognised the urgent necessity of deregulation guidelines for businesses, private citizens, and even amongst government agencies in the 1980s. After three decades of intensive government-driven unbalanced economic growth policy implementation, the government has realised that it faced problems of excessive intervention into the business operations and everyday lives of its citizens. The first policy endeavour was through the establishment of The Administrative Reform Commission under the President in 1993 which screened overly regulated policies and recommended deregulation policy alternatives. Followed by this was the enactment of the Basic Law of Administrative Regulation in 1997, from which the Regulatory Reform Committee (RRC)

in the Prime Minister's office derived. Co-chairpersons of the RRC are the Prime Minister and Civic Expert who leads overall deregulation policy in the country. RRC has been an active standing government organization under PM leadership for the last 10 years. Owing to the aggressive exploration of RRC among different government agencies in not only seeking over-regulation to be abolished but also in prohibiting new regulations to be enacted, the current status of regulatory qualities in WGI may be in the process of improvement.

### ***Rule of Law (RL)***

Different people may have different interpretations about the exact meaning of rule of law due to the philosophical nature of the term. For example, in the legal profession, rule of law is an independent, impartial judiciary; the presumption of innocence; the right to a fair and public trial without undue delay; a rational and proportionate approach to punishment; a strong and independent legal profession; strict protection of confidential communications between lawyer and client; equality of all before the law; these are all fundamental principles of the Rule of Law (IBA, 2009)

Nevertheless, in Asian traditional and cultural contexts, the rule of law is a governmental principle that many Asians hesitate to embrace since people seem to view good governance as rule by leaders who are benevolent and virtuous. One study indicates that throughout East Asia, only South Korea, Japan, and Hong Kong have societies that are robustly committed to a law-bound state (Chu, et al., 2008: 31-32), whereas the rule of law in Thailand, Cambodia, and most of Asia is weak or nonexistent (Thi, 2008).

The term 'rule of law' in WGI defines the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence. To be more specific, it covers such topics as the respect for law in relations between citizens and the administration, the security of persons and goods, organised criminal activity, the importance of the informal economy, the importance of tax evasion in the formal sector, and the importance of customs evasion. Also the running of the justice system, the security of traditional property rights and contracts between private agents, the degree of governmental respect for contracts, the settlement of economic disputes, and arrangements for the protection of intellectual property. Not only the arrangement of system, but also the enforceability of government or private contracts is considered as well. Also included are direct financial fraud, money laundering and organized

crime, losses and costs of crime, kidnapping of foreigners, the fairness and speediness of the judicial process, confiscation/expropriation, nationalisation/expropriation, common and organized crime imposes costs on business, quality of police, the independence of the judiciary from political influences of members of government, citizens or firms, the insufficient legal framework to challenge the legality of government actions, and the degree of the threat that businesses face from crime such as kidnapping, extortion, street violence, burglary, etc.

The operational definition of the rule of law in WGI shows that Indonesia ranks 29 percent, while Korea ranks 75 percent in ranking order. (Table 2) As shown in <Table 1>, the estimate figures for Indonesia are improving in terms of the degree in the rule of law, while Korea stays relatively steady at around 0.80. It may be interpreted that the likelihood of crime and violence is highly possible in Indonesia, thereby the rule of law often substitutes the rule of human-beings. The dignity and safety of persons and goods are not fully secured by official law enforcement systems, often overridden by criminal organisations. The tax system is sometimes undermined by tax evasion and erosion. Government or private contracts are not properly enforced, and as a result financial fraud and money laundering are involved in the official contract process. The courts, like all other Indonesian state bureaucracies, work along patrimonial lines. The entire court system lacks integrity, frequently leading to solutions to legal problems being sought outside of that system, with occasionally deadly results. Foreign investors seeking redress from the legal system to enforce contracts are systematically discriminated against should their case ever be actually heard. These chronic law enforcement shortcomings of a coherent legal system in Indonesia stem as much from a pervasive patrimonial system which owes much to the cultural and political legacy of the sultans. Therefore, Indonesia may be considered a country in where to have a contract dispute puts a serious question mark over the safety of foreign investment (Dean, 2002).

Korea, in the meantime, is a culturally Confucian country. Confucianism gives a revered place to public officials within the state. Partly as a consequence of the strong bureaucratic traditions provided by Confucianism, the government of Korea has been relatively effective, coherent, competent, centralized, and has a high calibre bureaucracy capable of implementing policy, whereas Indonesia, quite simply, has never had such a bureaucracy (Doner, 1991). However, there still exist some 'express queues' in law enforcement which are treated as exceptional cases to be processed without regard to the strict application of required law when violated. Such law avoidance and evasion could undermine the fundamental fabric of the 'rule of law' principle in Korea. It will easily lead to bureaucratic and political corruption and nepotism. Especially in a

Confucian society like Korea, there may be more possibility toward 'rule of human' than 'rule of law', where affection and friendship tends to come before contract and law.

### ***Control of Corruption (CC)***

The word 'corruption' has many different meanings. The most frequently used concept among others is the concept of political corruption which means the abuse of public power, office, or resources by government officials or employees for personal gain, e.g. by extortion, soliciting or offering bribes (Chinhamo and Shumba, 2007). More simply put, Transparency International (TI) defines corruption as "the abuse of entrusted power for private gain". (Transparency International, 2007)

WGI defines corruption as the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as capture of the state by elites and private interests. The control of corruption indicator is decided by the frequency of corruption, cronyism, government efforts to tackle corruption, and the internal causes of political risk and mentality including xenophobia, nationalism, corruption, nepotism, and willingness to compromise. It covers indirect diversion of funds and losses and costs of corruption. Government efforts to tackle corruption and public trust in financial honesty of politicians are another source of the indicator. The frequencies for firms to make extra payments connected to import/export permits, public utilities, awarding of public contracts, and getting favourable judicial decisions are measures of WGI as well. It also measures corruption within the political system, which distorts the economic and financial environment, reduces the efficiency of government and business by enabling people to assume positions of power through patronage rather than ability, and introduces an inherent instability in the political system. The corruption involvement of elected leaders such as parliamentarians or local councillors, judges and magistrates, government officials, border and tax officials, and other public figures are included in this indicator as well.

Control of Corruption Index for Indonesia in WGI ranges below 30 percent in percentage ranking scale, while Korea ranks 70 percent. (Table 2) In terms of absolute estimate figures, Indonesia scored steadily low ranging negative figures from -0.51 in 1996 to -1.13 in 2002, whereas Korea scored better in positive figures between 0.21 and 0.46. The Control of Corruption index in WGI shows that Indonesia has been struggling with corruption for the last decade.

Another indicator of corruption is CPI (Corruption Perception Index) which ranks the countries of the world according to the degree to which corruption is perceived to exist among public officials and politicians.<sup>14</sup> According to CPI in 2009, Korea ranks 39<sup>th</sup> with Brunei and Oman out of 180 countries, while Indonesia ranks 111<sup>th</sup> with seven other countries such as Djibouti, Egypt, Kiribati, Mali, São Tomé and Príncipe, Solomon Islands, and Togo. In relation with the 1<sup>st</sup> ranked country of New Zealand, both Korea and Indonesia must undertake comprehensive and specific policy measures to fight corruption.

**<Table 5> Selected Worldwide Corruption Perception Index (CPI) for Selected Countries**

	Rank In 2009	2009	2008	2007	2006	2005	2004	2003	2002
Korea	39	5.5	5.6	5.1	5.1	5.0	4.5	4.3	4.5
Indonesia	111	2.8	2.6	2.3	2.4	2.2	2.0	1.9	1.9
New Zealand	1	9.4	9.3	9.4	9.6	9.6	9.5	9.5	9.4
Uzbekistan	174	1.7	1.8	1.7	2.7	2.2	2.3	2.4	2.9

The policy issue of corruption has been located in the heart of government administration for both Indonesia and Korea since their independence, because corruption eradication is the critical component of administrative reform. An enactment of corruption prevention related acts highlights any governments or political regimes at any time, and both countries are not exceptions. In Korea, the military-rooted regimes for a quarter of a century have prioritized their policy focus on the eradication and prevention of corruption in order for people to trust in the regime's legitimacy towards transparent and clean government for the people. Succeeding civilian regimes have followed similar footsteps of preceding regimes in anti-corruption policies, and accordingly this has resulted in relatively transparent government today in Korea. This was highlighted when the comprehensive Corruption Prevention Act was created in 2001, in which any misconduct by civil servants and politicians concerning corruption was to be strongly proscribed, with protection for whistle-blowers as well. In this regard, it seems that Indonesia has started later than Korea in its corruption prevention movement thus scoring lower in WGI.

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<sup>14</sup> Transparency International (TI) has been publishing an annual CPI ordering the countries since 1995. A higher score means less (perceived) corruption. The results show 7 out of every 10 countries (and 9 out of every 10 developing countries) with an index of less than 5 points out of 10. The 2003 poll covered 133 countries; the 2009 survey, 180 countries.



## **V. SUMMARY AND CONCLUSIONS**

The promotion of good governance has become the major policy agenda around the world for the last decade, and Indonesia and Korea are no exception. Among other issues in good governance lies the best quality of the public sector operation. Is the government efficient and accountable enough to deliver public goods and services so that people will be able to be satisfied with what they receive from it? Is the government managed by the strict policy measures to control corruption and regulation by which people are hindered in their everyday activities and businesses? Does the government secure the participatory democracy in order for government to assure the views of minorities and the voices of the most vulnerable in society in policy making process? These are the core questions that should be addressed in the pursuit of good governance study like this, and this paper is one of those efforts mainly focusing in two countries concerned.

To accomplish such a purpose, the paper has so far analyzed the overall governance of the Indonesia and Korea in comparison with the WGI as a reference indicator. Needless to say, WGI does not necessarily cover all the aspects of governance issues, but at least it represents the most comprehensive characteristics of it among many other criteria utilized so far. Most indicators employed to measure the capacity of each government revolve around the tasks of government administration in participation, accountability, transparency, responsiveness, efficiency, effectiveness, equity, deregulation, etc. WGI like other indicators employs six categories to measure and compare countries around world.

The overall results of the study imply that Korea scores better than the Indonesia does in the six dimensions that have been dealt with. In Indonesia, the freedom of expression, association, and media needs to be greatly improved since the voice and accountability indicator shows relatively low not only in comparison with Korea but with other countries as well. In spite of active and assertive drives toward the political stability of Indonesian government, there found some potentialities of politically motivated violence and terrorism via unconstitutional and violent means which should be rooted out. The quality of the civil service and policy formulation and implementation in Indonesia needs to be more quickly enhanced to acquire a full credibility of government. The quality of regulatory policy and rule of law need to be further enhanced, and the corruption must be more strictly controlled in Indonesia in comparison with Korea and other developed countries. However, this does not necessarily mean that Korea is in a far better position than Indonesia. The purpose of this paper is not to check which sides are better or worse. Rather it is to scan whole picture of two country's governance for six dimensions so as for each

side to explore their own policy guidelines. Therefore, in order for both countries to enhance their quality of governance in the near future, they ought to improve equally the performances mentioned so far. One final note is that WGI will never be one and the only perfect governance measure and its utilization in this analysis is a mere provision of reference frame for each government's policymaking.

## **APPENDIX I: OPERATIONALISATION OF WGIs**

1. *Voice and Accountability (VA)* - capturing perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.
2. *Political Stability and Absence of Violence (PV)* - capturing perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism.
3. *Government Effectiveness (GE)* - capturing perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.
4. *Regulatory Quality (RQ)* - capturing perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.
5. *Rule of Law (RL)* - capturing perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.
6. *Control of Corruption (CC)* - capturing perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.

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