

# Institutions and Socioeconomic Development: Do Legacies and Proximity Matter? Case Studies of Indonesia, the Philippines, and Thailand

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## Abstract

The overarching objective of this paper is to analyze relationships among institutional development, democracy, and socioeconomic well-being. Specifically, the paper assesses the influence of a country's political and economic, and social systems and cultural fabric on the nature, form, and quality of institutions, and how the interdependence of the relationships influences development outcomes. The paper used a comparative research design approach to assess developments in the evolution of the interrelationships among political, socioeconomic, and cultural institutional development on democracy and development outcomes, including economic growth, education, health, and poverty in Indonesia, the Philippines, and Thailand. Mixed methods were used including documentary analysis, review of theoretical and empirical literature, which were complemented by informed opinions from academics, public policy practitioners, constitutional development experts, democracy and socioeconomic development and institutions obtained using interviews via email, and regression analysis. Research results underscored the importance of implementing supportive institutions for quality socioeconomic development outcomes. Specifically, analysis results showed that government effectiveness is a good proxy and embodiment of a functional and reliable institutional framework. Correlation results showed that rule of law, political stability and absence of violence, human development index, and competitiveness and control of corruption have a positive and strong association with institutional quality. Results on democracy vary across the three countries. While country estimates vary on what are the key factors that influence democratization, corruption is a common factor that increases with the process in the three countries. Democracy shows a negative association with development and business climate in the three countries. Various obstacles hampering the emergence and sustaining strong implementing and supportive institutions include rising income inequality, widening urban and rural income disparity; disconnect between public aspirations and public policy outcomes; entrenched beneficiaries of past policies and institutions that are rooted in the domestic political economy continue to influence public policy regime and by extension, albeit indirectly, both the composition and trajectory of institutional quality. Consequently, institutional quality remains fledgling due to weak political culture that has created favorable conditions for corruption and indications of policy 'capture'. Institutional capacity development has been lopsided and disparate between urban and rural areas; driven by political expediency which has taken precedence over economic and social development objectives and rationale; growth has shown an upward trend, but its distribution has been affected by regional policy bias. Policy recommendations which if implemented should strengthen the alignment between public policy process and societal well-being, including strengthening counter corruption efforts that are constant drain on democratization endeavors were provided.

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## I. Introduction

Indonesia, Thailand, and the Philippines are founding members of the ASEAN political security, economic, and social-cultural community that embodies the ASEAN community. Thailand is a constitutional monarchy where the King continues to wield substantial economic, cultural, and political-king-making powers, with the army playing a crucial role in determining the direction of democracy. Indonesia and the Philippines are republics, with the former enjoying a resurgence in democracy since 1998 but is showing signs of retrogression over the last six years, while the latter has one of the most vibrant democracies in ASEAN which based on outcomes of the three presidential election cycles attests to vivid signs of a groundswell of rising democracy fatigue as well. The three countries share some similarities including each having ethnic and religious diversity with a dominant religion: having high income inequality, and having experienced internecine regional and religious conflicts. With respect to economic and social growth, Thailand has faced anemic growth even prior to the COVID-19 pandemic attributable to protracted political instability, Philippines posted robust growth prior to the outbreak of Covid-pandemic that has since waned due to lengthy social and economic restrictions compounded by the adverse impact of COVID-19 on economic, social and public health. Indonesia achieved stable growth rates of an average of 5 percent prior to the pandemic and thanks to its reluctance to impose fully-fledged restrictions on economic and social activities, has been able to lessen the duration of the decline in economic growth posted during 2020, which has long been offset by a growth rate that is nearing that achieved prior to Covid-19 outbreak. Thailand has been experiencing a protracted period of anemic growth due largely to domestic political instability, which, coupled with the adverse impact of the onset and prolonged duration of the covid-19 pandemic on the hospitality industry, and gridlock on global supply chains that hit the country's agriculture and

automotive sector production and exports. While the three countries share a geographical location in Southeast Asia, the performance of the three countries on indicators of economic growth, democratic development, and social and economic well-being, is markedly different. Sharing geographical location, demographics, and belonging to the same regional economic grouping, the three countries show relatively stark differences in economic and social development performance. It is thus interesting to determine whether or not differences and similarities with respect to social, political, and historical legacy, as well as religiosity, have influenced and influence institutional development, which in turn contributes to marked differences in economic and social outcomes.

Hindriks and Guala (2015:2) define institutions in three ways, rules-based conception, equilibrium-based conception, and constitutive-based conception. As rules, institutions are learned social behavioral rules that are the foundation that underpins the guidance and enabler of individual behavior as well as the source of constraints to such behavior. Meanwhile, institutions from the perspective of equilibrium conception, are the outcome of learned behavior during strategic games such as winning solutions to social dilemmas. The constitutive conception defines institutions as systems of constitutive rules that assign statuses and functions to physical entities (the government has the authority to determine the status of legality of an individual, property, or even money (legal tender and counterfeit). Meanwhile, Neal (1994) defines institutions as "the regular, patterned behavior of people in a society and (...) the ideas and values associated with these regularities." Institutions as patterned behavior can be considered as social rules that provide the foundation for social interactions, hence influencing actions of individuals in society and how to make sense of actions that are made by others.

Institutions broadly take two forms, formal (specific, codified, and binding) the violation of which leads to explicit sanctions, and informal institutions (emergent, diverse, uncoded, taken for granted due to their 'natureness' to those who observe them, and generally no binding). Informal institutions complement formal institutions (Khalil, 1994; Dimmelmeyer & Heussner, 2018). Belief system constitutes shared norms, which are normative beliefs about what is perceived as right and wrong, and while cognitive beliefs that relate to conception about facts, supports society's institutional fabric. Habits, which essentially are 'no-deliberative dispositions of repeated actions by individuals, can become shared norms through habituation. Routines, especially actions of a group, denote the patterned behavior of a group to do a certain task Dimmelmeyer & Heussner, 2018). As routines also constitute patterned social behavior, they form an important component of social institutions. In that regard, institutions, comprise a plethora of such phenomena as mechanisms that underpin organizations; social conditions that are crucial for the functions of society (legal code and cultural norms); the impact that the economy has on non-economy sectors of society such as mode of production, distribution and consumption, and its impact on the political and social system (Dimmelmeyer & Heussner, 2018).

Institutions, thus, can be positive and instrumental in empowering society in solving its problems, hence crucial for social and economic advancement; but can also have an adverse impact on society for instance being used as tools to maintain the status quo that serves, perpetuates, and entrenches interests of the minority to repress the majority thanks to the power, authority, wealth in the hands of the former (Elsner, 2012; Reuter, 1996). From the public policy process perspective, Llanto (2007) identifies two types of institutions that are crucial to the policy development process inter alia, those playing an implementing role, and those that support the implementation of the process. Implementing institutions "coordinate policy making across different government ministries, ensuring that each ministry or department has access to the policy instruments most appropriate to its policy problems, and that the actions of one ministry or department do not cut across others", while those providing a supporting role "undertake an independent policy review process, either in reviewing existing regulatory settings (ex-post reviews), or reviewing policy proposals before decisions are made (ex- ante reviews)" (Dee, 2006). Growth and development require the existence of "efficient policies, enlightened and (transformational) leadership, and competent institutions."

Moreover, implementing institutions, are considered the medium that translates good policies into expected outcomes, while supportive institutions, though not directly influence the implementation process, strengthen the enabling environment of the policy development process, through objective policy reviews, feedback on policy results (corrective inputs into the policy implementation process), an important source of pathways for reform, and link policy implementing institutions with the general public by providing an objective assessment of policy results. Thus, independent supportive institutions, by proving ex-ante and ex-post reviews of policies, serve as a source of evidence of policy effectiveness, which strengthens government policy programming, fosters better prioritization, and efficiency, reducing the influence that powerful vested interests have over policy design, implementation, and outcomes (Llanto, 2007). Specifically, economic institutions, which take the forms of rules and legal frameworks on property rights, including intellectual property, rule of law, have been associated with economic growth and development. Countries where institutions support the interests of the rich few create economic distortions, which hamper economic growth and perpetuate inequality. Recurrent cycles of social conflicts and social instability are often grim outcomes. On the contrary, the absence of such impediments is associated with prolonged economic growth, low-income inequality, and social and political stability (Acemoglu, 2008; Acemoglu & Robinson, 2008).

Institutions, as social rules, influence social roles that individuals play in society, and help in defining what is acceptable behavior and what is not (social constraints). Institutions shape incentives for individuals, economic actors, and politicians, hence the stark difference in social development outcomes between sustainable social and economic advancement in some countries and recurrent cycles of poverty and underdevelopment in others, is largely attributable to differences in institutional framework quality (Acemoglu and Robinson, 2012). Nonetheless, institutions per se do not explain differences in development outcomes in countries that have inherently similar institutions. The functioning of society is influenced by the evolution of institutions that are in turn attributable to generic and unique state and society arrangements. Specifically, it is the unique social, cultural, and political economy context of a given society that influences the diversity of organization types that evolve, the kind of power structure, and its distribution and settlement in society. It is the type of political settlement among society organizations that influences the way institutions (formal and informal) are translated into individual, corporate, and society behavior and outcomes (Khan, 2018). This also underscores the importance of both quality implementing and supportive institutions for effective development policy outcomes (Llano, 2007). Worth noting is that inclusive political institutions, which are manifested in pluralistic systems support the development process because of incentives that uphold and guarantee individual rights, including the right to property, which in turn creates incentives for innovation and investment that spur economic growth and development. On the contrary, extractive political institutions engender the emergence of monolithic institutions that put power into the hands of the few that create extractive economic institutions that benefit the few that vested interests protect to preserve, thereby killing off innovation, stifling investment, and thwart growth and

development (Sachs, 2012; Acemoglu & Robinson, 2012).

Despite sharing geopolitical proximity and cultural attributes, the performance of Indonesia, the Philippines, and Thailand on the democracy index, while not disparate, varies as reflected in the performance of the three ASEAN members on the economist intelligence unit (EIU) democracy index (2018) Global ranks, 65, 53, and 106, which represent scores of 6.39, 6.71, and 4.63, respectively. Moreover, the performance of the three countries on the EIU index (2018) epitomizes a trend rather than a one-and-off phenomenon as the 2006-2018 ranks attest (Economist Intelligence Unit, 2018). There is little doubt that given the proximity of the three countries in the same subregion, a such substantial difference in performance with respect to democracy may in part be largely attributable to domestic rather than external factors. This is corroborated by the Capanelli et al.(2009) study that found that while globalization and rising interdependence of Asian economies had led to a significant increase in the integration of trade, investment, financial flows and social exchanges to unprecedented levels, the same could hardly be said political and cultural cooperation, citing the diversity of political and cultural values and the still weak institutional framework as plausible causes.

In other words, while geopolitical proximity to democracies, popular pressure through mass demonstrations, and external influence, can force authoritarian regimes to relinquish power to democratic forces, domestic social, economic, political, and cultural institutions, are crucial to determining the direction, pattern, and nuances and hues that such democracy take. Moreover, institutional development and the change it fosters, as manifested in social relations and motives, have been shown to induce a shift from subsistence to a market economy (Polanyi, 1944; Hoghson, 2016). The question is what would happen if the change in social relations and motives that are requisite for the transformation of a subsistence society into a market economy do not occur or occur but at a pace that lags that of societal transformation? Sachs (2001) argues for example that capitalist institutions and geographic proximity to rapidly growing centers rather than religious beliefs are crucial for economic growth and development. Thus, from an institutional economics perspective, a good understanding of the way an economy functions, which is only possible so long as an in-depth understanding of the social-history evolution of society is attained, helps to get to the core of the meaning and importance of existing social institutions (Dimmelmeier & Heussner, 2016).

It is increasingly becoming evident, that if the main reason for embarking on democracy is to enhance societal well-being, not only empirical evidence, but also economic and social realities on the ground do not support conclusively, the existence of a cause and effect relationship between the two (Li & Reuveny, 2004; Przeworski, 2004a; Przeworski, 2004b; Przeworski and Limongi, 1993; Przeworski et al.2000; Helliwell, 1994; Bukhart and Lewis-Beck, 1994; Barro, 1999; Barro, 1997). This research investigates the extent to which democratic development has influenced institutional, social and economic performance in Indonesia, the Philippines, and Thailand, three of the five founding nations of ASEAN, which share key commonalities but also indisputable differences in some respects.

The findings underscore the importance of implementing and supportive institutions for quality socioeconomic development outcomes, and that government effectiveness serves as a good proxy and embodiment of a functional and reliable institutional framework. Rule of law, political stability, absence of violence, human development index, competitiveness, and control of corruption are positively associated with institutional quality in the three countries. State of human development affects democracy, while democratization as implemented in Indonesia and the Philippines for instance, may be inimical to the business climate and economic performance (wealth creation and social and economic well-being), while its deterioration was found to hamper institutional development and country competitiveness (Thailand). Differences in colonial legacy (or the lack thereof), the powers and authority vested in bureaucracy, cultural institutions, political institutions (political parties), and the role of civil society have influenced the nature and quality of implementing and supportive institutions that are crucial for democratic governance and by extension, good economic and social governance. The diversity of political interests and cultural values impacts the political economy in each country, which in turn bears on the nature, form, composition of political and social, and economic institutions. Common obstacles in quality institutional development are reflected in rising income inequality amidst growing prosperity, the gap between the conception and perception of democracy and the way it is practiced as reflected in government policies, weak political culture development, and the rarity of strong nationwide oriented interest groups to serve as crucial checks and balances on the work and performance of the bureaucracy and politicians to rein in proclivities to generate and perpetuate exclusivity and self-serving tendencies whilst undermining inclusivity and impartiality.

## II. Methods

This research was based on a documentary analysis approach that compared developments in the evolution of political, socioeconomic, and cultural institutions on democracy and socioeconomic well-being. The main focus of the research was on the influence of the interrelationships among political, socioeconomic, and cultural institutional development on democracy and development outcomes, including economic growth, education, health, and poverty in Indonesia, the Philippines, and Thailand. The paper employed a mixed methods, comparative research design to assess developments in the evolution of the interrelationships among political, socioeconomic, and cultural institutional development on democracy and development outcomes, including economic growth, education, health, and poverty in Indonesia, the Philippines, and Thailand. The paper adopted a mixed research design approach that involved primary and secondary data collection techniques. that was based on documentary analysis and review of previous literature review of theoretical and empirical studies on institutional development and how the process influences and is influenced by democratization and socioeconomic development (gauged by economic growth), which was complemented by results of interviews with academics, public policy practitioners, constitutional development experts, democracy and socioeconomic development pundits and institutionists that were conducted via email; and regression analysis. Regression analysis was based on the democracy and socioeconomic model analysis outcomes based on proxies of key dimensions of democratization, institutional development, and economic development that included indicators that are published by credible sources inter alia, worldwide global governance indicators comprising voice and accountability, government effectiveness, regulatory quality, rule of law, control of corruption, and political stability and absence of violence, which are published by the World Bank Institute, which is the governance branch of the World Bank; and The Economist Intelligence Unit democracy index. The research specifically used the government effectiveness score, which is one of the dimensions of worldwide global governance indicators to gauge socioeconomic institutional advancement, while functioning of government, political culture, and civil liberties

dimensions, which are three of the five categories of the 60- indicator democracy index compiled published by the Economist intelligence unit (EIU). Measures of political culture and civil liberties were used to measure the state of democratic institutional development because of the importance that liberal democracy and institutional development attach to the unfettered observance of universally accepted rights, including “freedom of speech, press, and expression, freedom of religion, freedom of assembly and association, and the right to due judicial process, and respect for minority rights”(EIU, 2019:48), and the role of sustaining the evolution and development of democratic institutions achieved through public acceptance and putting in practice norms and values of democracy such as active participation in political party activities, public policy process regardless accepting outcomes of free and fair elections regardless of the impact on personal and group interest (EIU, 2019:48), respectively. With regards to indicators of economic development, the research drew from various credible sources including national statistics agencies, the IMF Outlook database, and the World Bank, which were supplemented by ease of Doing Business indicators and rankings that are published by the World Bank. Correlation and regression analyses were used to analyze secondary data. Interviews with informants who are knowledgeable about institutional development, democratization, and socioeconomic development were drawn from Indonesia, the Philippines, and Thailand are, were conducted through emails were used to cross-check the veracity of secondary data, hence an important source of data source triangulation.

### III. Results

#### *a. The state of democracy in Indonesia, the Philippines, and Thailand compared*

Based on the democracy index during 2006-2018 (Figure 1), it is evident that while the trend is stable and steady, the comovement pattern in the trajectory of the democracy index for both countries Indonesia and the Philippines is discernible. Indonesia and the Philippines showed a decrease in the democracy score in 2008, with the Philippines recording a steeper decline than Indonesia, which is a trend that continues during 2008-2013. That said, the Philippines registers a slower rate of improvement than Indonesia during the period. During 2014-2016, both countries register virtually similar rates of improvement in the democracy score, with the Philippines posting a slightly higher rate than Indonesia. However, while both Indonesia and the Philippines registered a decline in democracy score rank in 2017-2018, the rate of decrease in the former was higher than that registered by the latter.

Comparing the trajectory of Democracy trajectory in Indonesia, the Philippines, and Thailand

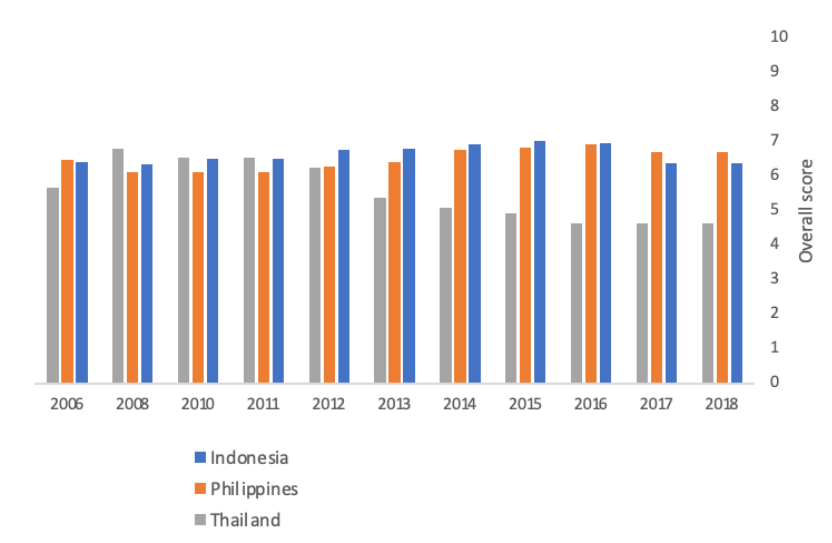


Figure 1. Democracy trajectory, Indonesia, Philippines, and Thailand, 2006-2018

Source: Economist Intelligence Unit, 2018

Conversely, the portrait of democracy development in Thailand is starkly different from that achieved in Indonesia and the Philippines. Thailand showed a higher rate of democracy rank improvement in 2008, reaching par with the rate of improvement in Indonesia during 2010-2011. However, democracy development experienced a drastic decline during 2013-2016, and stagnates during the 2016-2018 period. With respect to institutional development or its proxy, which with respect to the EIU democracy index encompasses the functioning of government, political culture, and civil liberties, the performance of the three countries varies. Indonesia is the best performer in the functioning of democracy, followed by the Philippines and lastly Thailand which has experienced a dramatic decline in performance over the last few years that recovery in the last two years could not offset (Figure 2). As regards, political culture, despite experiencing fluctuation during the period, Indonesia remains the best performer in this category as well, followed by Thailand and lastly the Philippines. That said, the Philippines shows an improvement over the last few years, while Thailand shows a drastic decline.

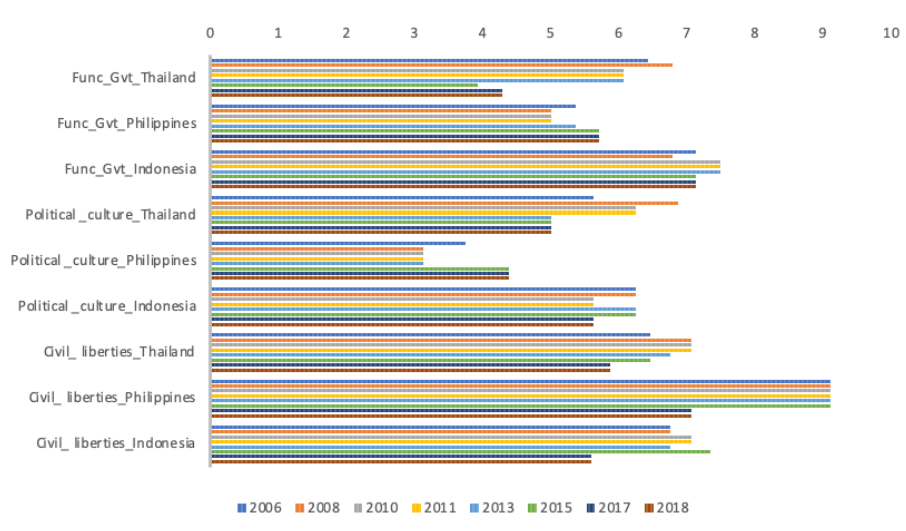


Figure 2. Government functioning, political culture and civil liberties, Indonesia, the Philippines and Indonesia, 2006-2018

Source: EIU(2019)

Meanwhile, with respect to the observance of civil liberties, the Philippines is a runaway best performer, followed by Thailand and lastly Indonesia. That said, observance of civil liberties in the three countries has experienced a decline over the last two years

#### b. Correlation and Regression results

Thai correlation results show that democracy, as represented by the Economist intelligence unit democracy rank, has a positive association with government effectiveness; voice and accountability, political stability, and absence of violence and corruption control correlate positively with rule of law; and rule of law, voice and accountability, and corruption have a positive association with the state of political stability and absence of violence. Meanwhile, information and communication technology rank, competitiveness, human development index, and doing business show a positive association with the democracy rank. Recalling that high rank on the democracy index attests to poor performance in democratic governance, Thailand's results show that deterioration of democracy correlates inversely with developments in information and communication technology, competitiveness, human development, and doing business rank.

Thus, the positive association between government effectiveness and democracy rank which is based on the economist intelligence unit democracy index, implies that deterioration(improvement) in democracy in Thailand, is associated with improvement(deterioration) in the quality of government effectiveness. Expressed differently, improvement in democracy is associated with a decline in government effectiveness. Thus, data on Thailand shows warning signs that democracy, which in the Thailand context has been associated with polarization between the red-shirts movement (which is pro Shinawatra, rural support base) and the yellow-shirt movement (which is a pro urban middle class elite support base), that degenerate into economic and social paralysis, and underperformance of the bureaucracy between signs a serious threat for the effective functioning of government institutions. This may be attributable to the climate of uncertainty that has cast a shadow over activities of government bureaucracy recently when the two protagonists wrestled for control of power by staging rival demonstrations on Bangkok streets that adversely affected not only government performance but also the

perception of Bangkok and Thailand as business-friendly places. It is also likely that polarization in politics, found its way into the government bureaucracy and the conduct of government affairs.

### c. Democracy and institutional development

Public participation in the democratic process, which is gauged by voting in national polls, is inversely influenced by the functioning of government and political culture. The public use polls to express their satisfaction or otherwise with government performance in key areas that are crucial for their social and economic well-being as well as democracy and socioeconomic institutional development. Based on regression model results, public participation is adversely influenced by public perception of political culture and the functioning of government (Table 1).

Model:

*plm(formula = Political\_participation~Functioning\_government + Political.culture, data = df6, effect = "twoways", model = "within", index = c("Country", "Year"))*

Table 1. Regression model results on the relationship between political participation (elections), government performance and political culture				
Balanced Panel: n = 3, T = 8, N = 24				
Residuals				
Min	1st Qu.	Median	3rd Qu.	Max
-0.3767743	-0.1141271	-0.0095389	0.1221139	0.4699109
Coefficients				
Variable	Estimate	Std. Error	t-value	Pr(> t )
Functioning_government	0.48708	0.14155	3.4409	0.004886 **
Political.culture	0.35400	0.15789	2.2421	0.044628 *
Total Sum of Squares				
Residual Sum of Squares				
R-Squared	0.85266			
Adj. R-Squared	0.71759			
F-statistic on 2 and 12 DF,	34.7209			1.0233e-05

Signif. codes: 0 '\*\*\*' 0.001 '\*\*' 0.01 '\*' 0.05 '.' 0.1 ' ' 1

Results for the three countries demonstrate that government functioning and political culture have positive and significant impact on political participation- an important manifestation of a functional democratic system (Table 1). Government functioning comprises elements of good governance (accountability and transparency, the extent to which effective checks and balances of the authority of government as reflected in the separation of authority and powers vested in the three arms of government(executive, judiciary, and legislature); the degree to which vested interests of external parties including the military, business conglomerates, and foreign organizations influence the direction and substance of policy-making process; level of public trust in government and political parties and the existence of effective mechanisms to fight corruption (which are factors that support the evolution and sustainability of a strong institutional framework).Meanwhile, political culture entails the notion that " the losing parties and their supporters accept the judgment of the voters and allow for the peaceful transfer of power" (EIU, 2021). Based on aggregate results corroborate extant empirical research and theory that associates good government governance and maturity of political parties and their constituency as reflected in their reaction to election results, with development in democratic governance. On a country by country basis, results show somewhat of surprising outcomes.

Dep. Variable:	Voice_and_	accountability_Rank	R-squared (uncentered):	0.944		
Model:	OLS		Adj. R-squared (uncentered):	0.927		
Method:	Least Squares		F-statistic:	55.72		
Date:	Fri, 18 Nov 2022		Prob (F-statistic):	1.51e-06		
Time:	13:13:34		Log-Likelihood:	1.2518		
No. Observations:	13		AIC:	3.496		
Df Residuals:	10		BIC:	5.191		
Df Model:	3					
Covariance Type:	nonrobust					
=====						
=						
		coef	std err	t	P> t	[0.025
5]						0.97
-----						
-						
political_stability_violence_Rank	0.8206	0.110	7.483	0.000	0.576	1.06
5						
corrup_rank	0.4135	0.096	4.308	0.002	0.200	0.62
7						
HDI	-0.5713	0.202	-2.824	0.018	-1.022	-0.12
1						
=====						
Omnibus:	1.898	Durbin-Watson:	1.868			
Prob(Omnibus):	0.387	Jarque-Bera (JB):	0.345			
Skew:	0.305	Prob(JB):	0.842			
Kurtosis:	3.515	Cond. No.	3.10			

Table 2. Thailand model

Signif. codes: 0 '\*\*\*' 0.001 '\*\*' 0.01 '\*' 0.05 '.' 0.1 ' ' 1

Based on regression model results for Thailand, political stability and corruption variables are moving in the direction with developments in democratic governance as proxied by voice and accountability, while human development index shows an adverse effect on increasing voice and accountability. The findings demonstrate the strong influence that the existence of a conducive political climate, anti-corruption mechanisms and human resource development have for sustainably functional democratic governance. Absence of political stability impacts on government effectiveness which in turn adversely impact on the implementation of an effective rule-of-law regime (EIU, 2021). Functional democratic governance is in part underpinned by the existence of a capable and resilient human resource at all levels including an informed electorate. Thus, based on results in Table 2, Thailand democratic governance development faces human resource capacity constraints.

OLS Regression Results						
=====						
Dep. Variable:	Voice_anf_accountability_Rank	R-squared (uncentered):	0.679			
Model:	OLS	Adj. R-squared (uncentered):	0.583			
Method:	Least Squares	F-statistic:	7.046			
Date:	Fri, 18 Nov 2022	Prob (F-statistic):	0.00791			
Time:	14:06:48	Log-Likelihood:	-7.5998			
No. Observations:	13	AIC:	21.20			
Df Residuals:	10	BIC:	22.89			
Df Model:	3					
Covariance Type:	nonrobust					
=====						
	coef	std err	t	P> t	[0.025	0.975]
-----						
Government_effectiveness_Rank	-0.3947	0.169	-2.341	0.041	-0.770	-0.019
corrup_rank	0.9119	0.213	4.284	0.002	0.438	1.386
COMPETITIVENESS	-0.6842	0.295	-2.320	0.043	-1.341	-0.027
=====						
Omnibus:	1.751	Durbin-Watson:	1.839			
Prob(Omnibus):	0.417	Jarque-Bera (JB):	1.316			
Skew:	-0.632	Prob(JB):	0.518			
Kurtosis:	2.087	Cond. No.	2.38			
=====						

Table 3. The Philippines model

Signif. codes: 0 '\*\*\*' 0.001 '\*\*' 0.01 '\*' 0.05 '.' 0.1 ' ' 1



As regards the Philippines (Table 3), data shows that corruption increases with growing democratization ,while government effectiveness and competitiveness show association with democratic governance. Thus, Philippines faces key challenges that include decoupling corruption from improvement in democratic institutions, and redressing the drag and drain that competitiveness and government effectiveness have on democratic development. Thus, for the Philippines absence of corruption government effectiveness, and existence of a supporting competitiveness regime should support functional economic and political institutions.

OLS Regression Results						
=====						
Dep. Variable:	Voce_anf_accountability	R-squared (uncentered):	0.810			
Model:	OLS	Adj. R-squared (uncentered):	0.776			
Method:	Least Squares	F-statistic:	23.46			
Date:	Fri, 18 Nov 2022	Prob (F-statistic):	0.000108			
Time:	13:51:04	Log-Likelihood:	1.4902			
No. Observations:	13	AIC:	1.020			
Df Residuals:	11	BIC:	2.149			
Df Model:	2					
Covariance Type:	nonrobust					
=====						
	coef	std err	t	P> t	[0.025	0.975]
-----						
Year	0.0001	3.25e-05	4.354	0.001	7e-05	0.000
Corrup	0.3188	0.065	4.887	0.000	0.175	0.462
=====						
Omnibus:	0.762	Durbin-Watson:		1.197		
Prob(Omnibus):	0.683	Jarque-Bera (JB):		0.614		
Skew:	0.039	Prob(JB):		0.735		
Kurtosis:	1.938	Cond. No.		2.01e+03		
=====						

Table 4. The Indonesian model

Signif. codes: 0 '\*\*\*' 0.001 '\*\*' 0.01 '\*' 0.05 '.' 0.1 ' ' 1

As regards regression results on Indonesia (Table 4), corruption and time variable show positive and significant influence on voice and accountability variable. The implication is that improvements in democratic governance shows a positive association with rising corruption over time, is attests to the weakening of countervailing institutions such as social sanctions and certainty of the enforcement of the rule of law. Indeed, despite embracing democracy for more than 20 years, Indonesia continues to face high incidence of corruption especially at local government levels due to the absence of adequate institutional capacity in line with the increase in scope and scale of responsibilities decentralized from the central government to low tier administrative units. Improving public surveillance of the conduct of public services also requires the existence of an informed, impartial, and selfless educated public. Such a lofty goal remains elusive because of the constraints the country faces in conducting deep-seated transformation of the education system (Muyanja Ssenyonga & Susanto, 2018), which is crucial for human development (Akhlas, Friday, January 31, 2020). Human development and competitiveness are the product of effective and functional institutions, the better they are the higher they reflect the existence of quality economic, social and political institutions. The model for democracy development showed that the human development index has a negative and significant influence on democracy, while doing business has a positive influence on democracy development. Thus, for the three countries, corruption increases in tandem with improvement in people's freedom of association and expression, participation in election of government officials and in the public policy process , and availability of a free media-key components of a functional liberal democracy (For model specification robustness, see Model diagnostics section in Appendix 11).

#### d. Desktop study and interview results

##### i. Democracy, institutions, and Economic development in Indonesia



Indonesia's political development has experienced multifarious changes in its political establishment, which have among others, included the ouster of 32 years authoritarian Suharto regime, a feat that came to pass thanks to students' and mass demonstrations that culminated on May 21, 1998 decision of the smiling general to quit; effecting deep-seated constitutional reforms that have seen the amendment of the 1945 constitution shaping the country's course from an indirect democratic representation to full-fledged democracy allowing direct general and presidential elections, regional heads and local legislative assembly representatives; and the devolution of fiscal and political powers from the central government to the local administration.

Moreover, to add to its array of democratic institutions, the country now has the constitutional court which serves as the overseer of the constitution by ensuring that all laws and regulations enacted, the conduct of government activities, and government officials are in strict adherence to the country's constitution. In January 2001, the country rolled out the big bang decentralization policy, which saw the devolution of key political and fiscal powers by the central government to local governments except for foreign affairs, religious affairs, finance, and defense and security. Other developments on the journey to more democratization have included the formation of the human rights commission, and the ratification of various international conventions that promote the observance of human rights such as ILO conventions on decent working conditions, and child labor, among others.

The enactment of other laws and regulations, among others, which uphold individual rights to property (such as the Law on Capital investment No.25/2007, the Law on food (Law No.18/2012), social security policy (OECD, 2019), strengthening active public participation in the public policy process (political rights) (Law No. 22/1999 and Law No 25/1999 as amended by Law No. 32/2004 and Law No.33/2004 on local government autonomy and local government financial equalizing and as amended in Law No.23/2014 on local government. Local government autonomy legislation among other achievements, transferred power to carry out functions and interests of the population living in local government jurisdictions to local autonomy governments, transferred the administrative authority to conduct certain public functions <sup>[1]</sup>basic and non-basic functions, which constitute the responsibility of the national government to local governments (de-concentration), conferring decision- and control over resources that are located or inherent in the jurisdiction to local government officials (devolution), delegation of managerial responsibility over tasks and functions to organizations that while indirectly under the control of the central government but are outside central government organizational structure (delegation); effected the distribution of authority hierarchically from superiors to sub ordinates with the goal of increasing performance; transferred power and authority to local governments to manage and control their affairs, with powers vested in local governments delimited by either their territorial boundaries or functions, territorial and functional decentralization, respectively; fostered democratization decision-making authority from the central government to local government units (Bhaktiar, 2009:40); and Law No.5/1974 as amended by Law No.4/2014 on village government autonomy, and Law No.5/1979 on village administration that have been enacted and to a large extent enforced.

Efforts have been made to reduce resource abuse, inefficiency, and distortion through the establishment of the corruption eradication agency (Act No. 30/2002), anticorruption court, and developments which are posited to cut unnecessary costs thereby enhancing the effectiveness of government and private sector projects and programs. The emergence of a vibrant civil society and free mass media had deep-seated effects on public life in Indonesia over the past decade. The freedom NGOs now enjoy (Kompas, December 23, 2008), right from the ease of formation, which does need bureaucratic controls; and operations, which can be in virtually all aspects of social, economic, environmental, political, cultural and religious life, has added yet another dimension to the democratic nation. Freedom of expression and the right to public information, have spearheaded the emergence of free mass media that covers all aspects of life, ranging from regional and national budgeting processes to individual culpability in corruption crimes. Free mass media has become a formidable champion for better government performance, effective targeting of poverty eradication programs, and a champion for alleviating sleazes from political campaigns and regional and national elections.

The gamut of changes points to an increasingly democratically open society, which would presuppose that all Indonesians regardless of race, creed, origin, and location, today enjoy the right to have a say in what affects their lives. This can be done by electing heads of villages, districts, and provinces showing the highest capability to deliver goods and services that are in great need by the community. There are also many opportunities to redress some of the things that are considered out of sync with community interest (staging demonstrations, voting out regional government heads who don't deliver when the time for re-election comes, conveying advice, input into the conduct of regional government activities, ventilate complaints to the human rights commission for actions considered prejudicial to human rights observance, judicial reviews at the constitutional court for laws and regulations considered not in line with the Indonesian amended 1945 Constitution. Nonetheless, by the looks of things, things have shown the general tendency of moving against them without any let-up, rather than otherwise, making their lives even harder.

Poverty reduction is another indicator that is often cited as a gauge of an economy that is becoming well, an achievement that politicians are proud to associate with democratization. Poverty incidence has consistently shown a downward trend from 19.14 percent (2000) to 9.41 percent (2018). That said, based on March 2019 figures (6.69 percent and 12.85 percent), the rural-urban poverty incidence divide has become starker. Slow performance on poverty incidence reduction is in part attributable to modest economic growth which continues to be in the 4.9-5.2 range. To that end, reducing poverty incidence in rural areas has been one of the policy priorities of successive reformation-era governments, through village government empowerment to execute local development programs by making use of US\$13.14 billion in financial resources for 73,670 village administrations in 33 provinces available under the village administration autonomy Law No. 6/2014 (Jakarta Post, August 05, 2019).

Nonetheless, it is often the case that the pursuit of democracy, mechanisms that ensure that democratic institutions that come in place, do not entrench the interests of those who control economic and political powers, to the detriment of the majority, are not given considerable attention. This leads to the situation where democracy is implemented as an integral part of conditionalities, which external providers of financial and technical assistance dictate as prerequisites, and given the paucity of other options, beneficiaries must accept, without much renegotiation. Doubtless, the democratic process which evolves has more to do with inputs and policy recommendations that originate from providers of assistance than a reflection of the social, economic, political, and even cultural realities of the country. That is a far cry from the essence of a true people-driven democratization process, whose agenda and formulation should be under the control and direction of the people, motivated by the desire to serve in accordance with their aspirations and

interests.

Thus, the democratization process which despite the contribution of, the proximate sparks that are traceable to the economic crisis that had its origins in Neighboring Thailand, international mass media that intensively covered the malfeasance of the new era regime, support of international nongovernmental organizations to champion the cause in international fora and foreign governments, triggers of reformation era democratization were inherently rooted in domestic problems that included intransigence of political elites in Indonesian government at the time, deep-seated grand corruption, the rising cost of living, and the longing from a repeat of 1955 democracy regime<sup>[ii]</sup>. There is little doubt that gauged from indicators of a vibrant democracy; Indonesia is truly one of the best performers in the developing world. And so is its spectacular performance in the realm of macro-economy indicators (a stable and upward trend in economic growth rate; stable inflation rate; relatively stable interest rate and exchange rate; one of the best performing capital markets in the Asia Pacific, and steady improvement in foreign exchange reserves, albeit still susceptible to investors' sentiments, which is in part driven by return on investments in emerging markets compared with return and security of investments in industrialized economies).

Nonetheless, there is little doubt the longer democracy takes, the louder the growing disgruntlement with the minimal impact democratization is having on economic growth and its distribution at the meso and micro levels; lower concrete poverty reduction across the urban-rural area divide and Java-Bali and outer Java Island chasm; signs of rising income inequality across income brackets of the population (based on Gini Index which is above the 0.40 threshold that UNDP categorizes as the point beyond which income inequality poses the danger to triggering social instability); rising disparity in economic and social development between rural and urban areas; relatively more developed Western Indonesia and lagging Eastern Indonesia; still low quality in public representation in sub-national and national level (high public participation is only true in the eyes of political parties, economic powerful elites and groups, but continues a farfetched dream for many ordinary Indonesians (Purwatininggih et al.2004). Some political experts have reached the extent of talking about an elite capture process in the public policy process, especially at the sub-national government (Purwanto and Van Klinken, 2009; Lele,2011; Samadhi and Warouw, 2008); and dynasty politics at the sub-national government level. In several cases whereby the husband holds the reins as the district government head for two periods (five years each), only for the helm to be handed over to the wife to administer for another ten years (Kompas, Thursday, June 20, 2013).

Besides, other problems include but not limited to, rising cost of democracy as reflected in the increase in the number of district/city governments since 2001, which translate into higher government expenditure (general grants, de-concentration grants, additional financial support grants (Kompas, December 23, 2008); rising gap between government expenditure on public services and development programs and salaries and allowances of civil servants; the widening gap between interests of representatives (who are appointed and vetted by political parties, hence owe their allegiance to political party stalwarts rather than people they are supposed to represent (Muyanja-Ssenyonga et al. 2011), which is manifested in stark differences in policy stance and positions sub national and national assembly members take and those which the general public would like taken or effected); rising 'voluntary' disenfranchisement (GolPut) reflected in the falling participation rates elections at the national and sub national level; rising cost of public services (education and health service provision), especially for middle and lower income earners who may lack the socioeconomic-political weight to be listened to and heard in the ranks of public service providers (Dwiyanto et al. 2007); political patronage, which is increasingly becoming entrenched in political parties, and gradually extending its tentacles into the bureaucracy; deep rooted pervasive corruption and collusion, affecting all tiers (sub national and national ) and aspects of government (members of the legislature, judiciary, executive, law enforcement (the police and prosecution); members of the business community; bureaucracy (sub national and national level) (Dwiyanto et al. 2007; Muyanja-Ssenyonga et al, 2011); growing signs of political and religious intolerance (due possibly to misunderstanding of the principles of democracy as conferring on the winners the right to dictate terms on the loser-creating the tyranny of the majority and electoral authoritarianism; compromise and reaching out to opponents is construed as a sign of weakness, if not betrayal (Traub, June 21, 2013) , at the sub national level, which is attested by few but seriously disruptive violence activities in the wake of district/city government head elections leading to creating divisions (compartmentalization) of heretofore united communities into camps; weakening age old social capital, which has for long served as building blocks for economic development.

Devolution of government functions has been one of the main instruments that successive administrations have used to enhance the effectiveness of government administration and delivery of public services in Indonesia. Indonesian decentralization has a long history. The archipelago nation's first taste of decentralization was in 1908 when it was still under the control of Dutch colonial rule. However, real and significant changes were not to appear almost 70 years later in 1974, when Suharto's regime promulgated Act No.5/1974 on devolution and de-concentration of authority and power to district/city governments (Tier II) and provincial governments (Tier I). The act devolved authority to districts/city governments and not to provincial governments within the theme of 'harmonizing' decentralization and efficiency. The concentration of authority to deliver public services was directed toward the district/city governments rather than provincial governments, purportedly to avert a repeat of secessionist tendencies that were linked to emerge from strong provincial governments. Tier II administrations were considered too weak to pursue such lines. The regional assembly was vested with the authority to elect local administration heads. It is thus apparent that economic rationality played second fiddle to political expediency, a point that underscores the importance of politics (political institutions) in laying the foundation for the country's economic and social development at the sub-national level.

Though theoretically, district/city governments were entrusted with much authority, provincial governments continued to intervene heavily in what they could and could not do, including approving regional government heads elected by district/city legislatures, the direct appointment of provincial government heads, maintenance of central government offices at district/city levels (Kanwil) and provinces (Kandep) which were reporting directly to line ministries rather than local government heads, the dominance of district/city/provincial government heads, who were government loyalists, over district/city/and provincial legislature, and the constant surveillance of all activities of district/city and provincial government officials and citizenry by central government appointed territorial officials, drawn from the military establishment, who were specifically tasked with ensuring social and political stability (Samego et al., 1998). Besides, lacking sufficient authority and powers to levy local taxes, limited the ability of regional governments to initiate and implement development programs, a problem that meant that they have neither independent development budgets nor human and other requisite resources to deliver services of their own rather had to follow those dictated from the center. All regional governments had to follow development priorities that were pre-determined by the central government, which were highlighted in *Garis Besar Haluan Negara* (literary, General government development guidelines) and national development priorities rather than

priorities that were influenced by and rooted in, regional government development needs and priorities.

Nonetheless, prior to the enactment of the regional autonomy law in 1999, which provided the legal framework behind the implementation of decentralization and subsequent allowing of direct elections for local government heads in 2005, direct elections at the lowest administrative unit, did not seem to have been intended as a signal or a test case on the functionality and effectiveness of democratic methods in identifying and solving societal problems, rather perhaps a distraction and diversionary political gimmick aimed at creating a false impression that the government upheld and observed democracy right from the grassroots to the top. Nonetheless, in other respects including observing individual rights to property, and individual and group security, there is a lot of evidence that supports the view that social, economic, and political security that characterized the old-era government during the late 1950s to mid-1960s, that in part led to its downfall, marked a watershed period that saw the start of the New era that put precedence restoration of political stability and security, and subsequently economic progress. It is not surprising that the law on foreign investment (Law No.1/1967), which emphasized the right to property among other rights (foreign investors), was the first Law Suharto's government enacted in 1967. In other words, regional governments were mere expenditure channels of regional governments.

Indonesia has since 1998 experienced fundamental changes in its political system that are reflected in the adoption of simultaneously directly elected legislative and presidential elections in April 2019; the establishment of the constitutional court in 2003; the establishment of the local, national and private sector Ombudsman bodies that are tasked with ensuring that the execution of duties and activities by the government and private sector institutions comply with good governance principles. Equally vital for strengthening the democratization process has been the establishment of various Independent commissions, *inter alia*, the Judicial Commission, the national fair business competition commission, the police commission, the national Ombudsman commission, the national human rights commission, Civil service commission, Women and Child protection commission, and many others, which serve as complaints handling mechanisms hence help in bridging aspirations of public service users and providers<sup>[iii]</sup>.

Laying the legal framework has been crucial for laying solid democratic governance. This was reflected in the First Amendment of the 1945 constitution in 1999 and successive amendments in 2000, 2001, and 2002 which embedded the rule of law and democratic rule into the country's basic law (Ashidique, 2009); observance of human and civil rights, access to information on public policy process; transparency, accountability of public officials for their actions, and responsiveness in public service provision (Articles 28, 28E, and 28F of the 1945 constitution) (Dwiyanto et al.2007; Dwiyanto, et al. 2003; GDS, 2002); the right of Indonesian poor population to state-sponsored education and health care; establishment of a bicameral parliament comprising the national legislative assembly and regional representative assembly, with the former representing the public on the basis of political affiliations, while the latter, with lesser clear powers over legislation and the national budget, presumably represents regional interests.

Other key legislations include the National consultative council (MPR) ruling No.XI/MPR/1998 on clean government free from corruption, collusion, and nepotism, National consultative council (MPR) ruling No. VIII/MPR/2001 on Recommendations of the direction of the policy on the prevention and eradication of corruption, collusion, and nepotism; Act No.28/1999 on the conduct of government free from corruption, collusion, and nepotism; Government instruction (PP) No.65 /1999 on the mechanisms or ways on auditing property/wealth of individuals vested with the powers to execute government duties /responsibilities Government instruction (PP) No.66/1999 on the requirements and process/procedures of appointing and de-commissioning of audit commission officials; Government instruction (PP) No.67/1999 on the process and procedures of conducting monitoring and evaluating duties and authority; Government instruction PP No.19/2000 on the Combined team (Rainbow team) tasked with eradicating corruption practices; Presidential decision Kepres No.127/1999 on forming the state /government official audit commission; Act No. No.31/1999 on the eradication of corruption practices; Act No.20/2001 on amendments to Act No.31/1999 on the eradication of corruption practices; Presidential instruction No.5/2004 on accelerating the eradication of corruption; Act No.30/2002 on Corruption eradication commission; Act No.25/2003 on money laundering crimes.

Thus, nascent phases of Indonesian democracy (1999-2001) were characterized by the reduction of MPR power and influence in Indonesian politics, strengthening of the legislatures (Central and local level); Institutionalization of observation of civil, political, and economic rights (1999, through Law No. 29, 1999, ratification of Convention on the Elimination of All Forms of Racial Discrimination; Enactment of Human Rights (Law Number 39/ 99) in 1999. That said, the period also marked the beginning of fleeting marriages of political convenience driven solely by calculations of short-term political gains (cabinet posts and defeating a political adversary) rather than public interests that have continued to this day.

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To enhance public political participation in the public policy process, the legal framework has been bolstered by the Implementation of the decentralization Acts No.22, and 25 on regional autonomy and fiscal decentralization, respectively, amended by Acts No. 32 Act No.33, respectively and subsequently amended by Act No.23/2014 on local government. The above regulatory framework lay the institutional framework that supports efficient, responsive, transparent, and participatory local governments in formulating and implementing regulations and executing functions in all key areas except for defense and security, religious affairs, monetary policy, and foreign affairs. In addition, efforts have been made toward institutionalizing the observation of economic, social, civic, political, workers', and human rights in the country's legal and regulatory setting.

Nonetheless, while the democratization and decentralization policies have offered the public the opportunity to elect their leaders directly which enhances their capacity to determine who is at the helm of key decision-making that affects their day-to-day lives at the national and local government level, the process has created one of the key obstacles that have a disconnect between ideals of democracy and public aspirations and interests. The problem relates to the authority vested in local government to issue regulations. The spate of local regulations has created major obstacles in the translation of well-informed goals, objectives, and strategies formulated both at the national and local government levels, into concrete development activities on the ground. Consequently, the central government has had to spend precious time, effort, and resources to resolve conflicts across local governments at the same tier, as well as those vertical ones that pit district/city governments and provincial governments, as well as regulations that are in contravention of the higher level legislation such as government regulations, laws and the national constitution (Kompas, August 19, 2019). That way, some aspects of the big bang decentralization policy have hampered the pace of institutional capacity building, which is pivotal for translating democratic aspirations into development on the ground, which impacts public well-being.

It should be noted that one of the problems that triggered the beginning of the collapse of the Suharto regime, was increasingly poor governance of the state and government, that according to some pundits on power politics (Kristiadi, 2019), he had turned into a fiefdom to lavish close aids, family members and cronies. To avert a repeat of that, post-Suharto era national legislature and successive governments have put in place guardrails or regulatory bulwarks and firewalls in the form of laws and regulations. One of the laws that have been enacted during the reformation era to institutionalize governance includes law No. 30/2002 amended by Law Np.19/2019, on the establishment of the corruption eradication agency (KPK), which has played a crucial role in improving governance in the public sector. The Indonesian corruption eradication agency is vested with the authority to "coordinate preliminary investigation, investigation, and prosecution against corruption crime; establish reporting system on the activities to eradicate corruption crime; acquire information on the activities to eradicate corruption crime from related institutions; conduct hearing or meeting with the institutions authorized to eradicate corruption crime; and inquire reports from related institutions on corruption prevention<sup>[iv]</sup>," which powers enable it to carry of functions that include " coordinating with the institutions authorized to eradicate corruption; supervise the institutions authorized to eradicate corruption; conduct a preliminary investigation, investigation, and prosecution against corruption; take preventive measures against corruption, and monitor state governance."

Meanwhile, Law No.15/2002, subsequently amended by Law No.25/2003, and Law No.8/2010 on money laundering serve as the legal foundation for the establishment of the PPATK/Indonesian financial reports and analysis center (INTRAC). INTRAC has been pivotal in efforts toward preventing and eradicating money laundering activities through the strengthening of the management of data and information that relate to compliance of reported parties with existing laws and regulations on money laundering and other predicated crimes that INTRAC receives from external parties; conduct supervision and inspection of the extent to which reported parties are in compliance with prevailing laws and regulations on money laundering and other predicated crimes; and conduct investigations on indications that reported parties are engaging in money laundering and other predicated crimes results of which are conveyed to the relevant government institutions and agencies and law enforcement organs for follow up. Doubtless, KPK and INTRAC activities, have been instrumental in identifying, red flagging suspicious and actual fraudulent financial transactions in the financial system and conduct of state and government functions, which has created a deterrent effect against corruption and money laundering activities that involve parties within the domestic economy and those that are transboundary in nature, which the potential to breed terrorism, misfeasance, human trafficking, transnational drug trafficking, identity falsification and theft, money laundering of looted assets and property from the state to serve personal interests and assuage rising rapacity and unscrupulousness (PPATK, 2015; PPATK, 2019<sup>[v]</sup>). That way, the functions of the two independent agencies, have bolstered the institutional foundation against elements that might have undermined state and government functions and sowed seeds of political and social uncertainty and crises, which would lead to the delegitimization and collapse of state and government.

One of the key features of Indonesian society is the plurality that is manifested in its religious, racial, tribal, social, and cultural composition, which translates into distinct belief systems, values, traditions, languages, and concepts. Thus, by providing a legal framework that supports the operations and functions of various social, cultural, and religious organizations, successive reformation-era governments have contributed significantly to deepening and entrenching plurality rights. Besides the fragmented military establishment, one of the respondents for the mini survey, cited civil society, religious, legal assistance organizations, and increasingly diverse, local and national mass media organizations as supportive institutions for the consolidation of democracy in Indonesia<sup>[vi]</sup>. In practice, from the political perspective, the country's history with regards to the plurality in politics as conceptualized by Acemoglu and Robinson (2012) to refer to the upholding of individual rights, albeit with significant restrictions on human rights, seem to be in place. As early as 1974, the new-era government enacted the village administration Law 1974 which allowed direct elections of the village head, which is the lowest administrative unit.

Meanwhile, from the perspective of politics, Indonesia, which is a complex mosaic of diversity of peoples who uphold exclusive and 'non-negotiable' traditions, value and belief systems, and ideology anchors, naturally led to the creation of a nation-state that while living and sharing the same space adhere to incomparably 'comprehensive, holistic, fundamental, distinct, and absolute' primordial value and norm anchors that underpin differences in understanding and interpretation of the meaning of justice and happiness. This is a concept that Thomas Kuhn (1960) as cited by Kristiadi (July 04, 2019) aptly refers to as incommensurability.

The root cause lies in the fact that evolving democracy ideals, political culture, and system which are patchworks of the two existing democratic systems (presidential and parliamentary), being rooted in socioeconomic, cultural, and political settings that are foreign are not in line with interests and aspirations of a dynamic collective minded, multicultural, multiethnic, multi-race Indonesian society. Signs of dysfunctional, democracy even as nascent as it is are increasingly becoming difficult to ignore, including deepening corruption, collusion, nepotism, and dynasty politics being its reincarnation, disjointed representation, the superficiality of hitherto key national institutions such as the national consultative council (MPR), and creation of new ones that merely serve short term political goals (Pancasila ideology propagation agency being a case in point).

Consequently, it is not surprising therefore that besides corruption in its various manifestations, political opportunism that exploits primordialism, personal identity, regionalism, religion, and island and origins, while short-sighted and dangerous, remains one of the approaches that ideologically bankrupt political adventurers use to convince

'the already convinced' their lack of stature is simply because of their origins and who they are, rather than the competence, capacity, and acumen they can bring to bear. Indeed, Kristiadi (2020) argues that one fundamental problem facing post-Suharto democratic Indonesia is the enormous collective failure to underpin and embed Indonesian multicultural norms, customs, traditions, and education, among other factors into the fabric and system of the country's democracy and politics.

To that end, consolidating the gains of democracy, requires the creation of a sense of uniformity in understanding and interpretation of reality, collectively and gradually creating mechanisms that bridge the seemingly incommensurable primordial traits that characterize Indonesian society into collective belief and understanding that regardless of their different origins and backgrounds they share a common future that is bound by a common past and intricately dovetailed by the present. Nursing the sense of living, working, and belonging together instead of pursuing divisive, primordial-oriented interests, is considered pivotal for creating functional and sustainable democracy (Kristiadi, 2019). Doubtless, improving education quality, along with other factors, should play a pivotal role in achieving that goal.

## ii. Democracy, institutions, and Economic Development in the Philippines

The Philippines with the exception of a few years that are far and between has consistently outperformed Indonesia and Thailand on indicators of democracy (EIU, 2019). Nonetheless, the overall EIU democracy Global rank (one among 165 countries and territories surveyed in the 2019 edition for example), may not be the best gauge to use in measuring a country's, but the scores and trend thereof, attained in each of the five subcategories<sup>[vii]</sup>. This is especially so in relation to the relationship between democracy and institutional development. On the dynamics and developments of democracy and institutions in the Philippines, Montiel description of Filipino political culture as comprising "a systematically related set of mental and concrete constructions...not limited to beliefs, feelings, group-accepted practices, language and paraphernalia shared by large groups of Filipinos as they produce, allocate and use political powers within, outside, and in interaction with the state," while of the "shared subjective elements of Filipino culture include interpretations of political events, which is based on the subscribed ideology; 'shared mental scripts', which relates to the latent meaning as opposed to that manifested, by a certain practice (an example of volunteering in a political campaign is associated with being rewarded with a job once the individual one campaigns for wins a political position); perceiving those in the rival political camp as always harboring negative intentions); collective memories (to consider any changes in the constitution as justification for the declaration of martial law); religious beliefs( being religious also entails the need to contribute to the achievement of social justice and serve the interests of the underprivileged sections of society).

On the other hand, examples of objective political culture, which are both context-dependent and meaning-sensitive, hence have both latent and manifest meanings. Such include political practice (an example of both manifest and latent meaning attached to the involvement of a member of the house of representatives in family events of a local leader and the transfer of government officials); political language that members of certain groups use to communicate among themselves; artifact (contents of political expressions in various forms).

It is the above relationship between politics and bureaucracy in the Philippines with the former having control and dominance over the latter, has created fertile ground for political patronage Montiel(u.d) citing Hollnsteiner(1963), Kerkvliet (1990), Lande (1965), Lynch (1979); politics of personal identity Montiel (u.d) citing Hollnsteiner (1970), Kerkvliet (1990), Roces (1998); and kinship Montiel (u.d) citing Canieso-Doronila (1997), Lande(1958), Roces(1998), Timberman(1991), Zialcita(1997); and Bossism (Sidel, 1999), which is associated with power that is drawn from having access to money, criminal activity, and coercion. The social embeddedness of political cultures refers to the notion that the dichotomy in a social structure which arises from one group having access to political power, money, and wealth (political elites) and the marginalized majority (lacking such access) is reflected in differences in the political practices, mentalities, and material symbols the two distinct groups. In social contexts where practices and expectations feed on each other, the two groups are complementary, while in conditions where the two groups manifest differences in political and economic interests, opposition by one group over the other may ensue argues Montiel in citing Aretxaga (1993), Myers and Martz (1997), Pye (1985) and Warren (1993).

Indeed, politics in the Philippines has a lot to blame for keeping a country, which in 1950 had the second largest economy in Asia, second only to Japan; to being ranked number three in ASEAN, thirteenth in Asia, and thirty-fourth in the World (2017). Successive presidencies during the Third Republic 1946-1965 (Manuel Roxas, Carlos P. Garcia and Diosdado Macapagal (1946-1965<sup>[viii]</sup>) were characterized by institutional building, mobilizing funds to rebuild the shattered economy, establishing relations with multilateral organizations and other nations Castro (1985) under President Manuel Roxas; efforts to regain some semblance of independence, sovereignty and self-sufficiency by enacting policies that promoted domestic production of products consumed in the domestic economy, and higher involvement of Filipinos in the economy, while reigning in US influence and presence in the Philippines (Cooler, 2008), which policies in effect reflected tendencies towards autarky Carlos(1985) under the Presidency of Carlos P. Garcia; policies geared toward improving people's welfare by tackling corruption, reducing poverty, by among other initiatives establishing the Land Bank of the Philippines<sup>[ix]</sup>, national cottage industries development authority, and Philippine National Railways (PNR) under Diosdado Macapagal.

Meanwhile, holding the reins of power during the 1965-1986 period, Ferdinand Marcos faced strong opposition from persistent leftists and students who clamored for democratic reforms that culminated in the First Quarter Storm that aggravated social strife and restiveness that culminated in the declaration of Martial Law on September 21, 1972. Marcos used political stability to stimulate economic development, which was underpinned by huge infrastructure and tourism development projects that were financed through heavy bank borrowing. Nonetheless, state authority and power without checks and balances during Martial law created gross economic mismanagement that among others reflected by huge investment in the botched US\$2.3 billion Bataan Nuclear Power Plant (BNPP), which was projected to strengthen the country's competitiveness through energy security for industry and households, ended up not generating a single watt of electricity; inefficient state-owned enterprises; pervasive corruption and cronyism; and misaligned exchange rate of the domestic currency against foreign currencies. Thus, as De Dios (1984) notes that income inequality between the rich and poor widened, as was that across regions; poverty increased dramatically from 41 percent (1965) to 58.9 percent (1985).



Marcos tried to remain in power at his disposal including assassinating his main political rival

In 1986, a million people power demonstrations, forced authoritarian Marcos's power to an end, which opened the way for democracy, albeit preserving some of the fundamental problems that have bedeviled the Philippines' democracy and economy, to this day. This is because the restoration of democracy, during Corazon Aquino's Presidency and successive leaders in the Philippines have done little to tackle a litany of political economy problems that have plagued the predominantly Catholic archipelago nation, including "large landowning families, mafia-style machine politicians and their persistent rent-seeking and criminal activities"<sup>[xi]</sup>; the opportunistic behavior of post-Marcos political leadership with the support of Washington who remains opposed to the implementation of land reform policies, hence unwittingly or otherwise, helping to perpetuate high inequality of land ownership and wealth in the country; predatory oligarchy, cronyism, and rent-seeking behavior; clientelist politics. Democracy has had little impact on the livelihoods of many rural and urban Filipinos, who continue to escape living in conditions of extreme social and economic deprivation and political disenfranchisement. Democracy, as some have argued, remains bedeviled by 'provincialism, patrimonialism, and personalism', the importance of Bossism, cronyism, and criminality in political culture.

The legacy of American colonial legacy on state formation, and centrality of elections in Philippines; government and political institutional, structural framework, and conduct, timing and phasing of elections that start with municipal, followed by provincial, then national legislature that culminate in the Presidential elections, shape and influence "the pattern of political competition in which local, particularistic, patronage-based concerns and networks serve as the building blocks of electoral competition"<sup>[xii]</sup>; the existence of multi-tiered elected posts in the executive and legislature and Politics in the Philippines in general and conduct of elections in particular is a reflection of the legacy of the structure, timing and phasing legacy of American colonialism is largely driven by "Local, particularistic, patronage-based concerns and networks"<sup>[xiii]</sup>, the private capital accumulation, cronyism, and patrimonialism is in part attributable to the practice of conducting elections very early during the national building process prior to the existence of bureaucracy created the origins of local bossism which owed much to the fact the formation of constituencies was not based on the economic capacity to deliver services rather political interest of contestants (deficiency in regulatory powers, resources, personnel), which conditions created dependency on elected officials, which are opportunities for discretion, patrimonialism, cronyism, even criminality; subservience of the bureaucracy to a multi-tiered hierarchy of elected political officials reduced the autonomy and assertiveness the military establishment has over government issues, thereby creating conditions that have fostered Presidential authoritarianism, in the hands of civilians; economic dependency and misery of Filipino population, which in part is attributable to the policy of the United States during the colonial era that led to the conversion of agricultural land to growing coconuts for sale in the US market. It is, however, worth noting as Hedman and Sidel (2000<sup>[xiii]</sup>) argue that the Philippines unlike other South East Asian nations, had a decentralized and democratic government structure prior to gaining independence in 1946, which may explain the relative frequency and success of local governments including those inhabited by minorities in asserting their autonomy from the control of the federal government in Manila.

However, such tendencies are not solely responsible for the failure of the Philippines to create high, inclusive, and sustained economic growth, but rather the authoritarianism, provincialism tendencies, cronyism, and political opportunism that continue to characterize and influence development policy in the country. The advent of democracy during successive governments while implementing policies that opened the economy through deleveraging, economic austerity, retrenchment<sup>[xiv]</sup> (Llanto, 2018:121), and a slight improvement in economic growth (1986–1992); liberalization and privatization, economic austerity, rising government borrowing, amid power outages, and rising social and political insecurity arising from Muslim insurgents, socialist and Marxist rebels (Ramos government, 1992–98<sup>[xv]</sup>); population policy that helped the reduction of unwanted children by increasing access of married couples to family planning services, and attempts to tackle poverty, albeit falling short of formulating and implementing agrarian reforms considered a fundamental solution to high poverty incidence and income inequality (Balisacan & Hil, 2003).

That said, public policies, past and present, continue to be overshadowed by rampant cronyism, corruption, and scandals that eventually toppled Estrada (1998–2001); improvements in economic growth attributable to the rising exports supported by robust global growth rates as well as the growing importance of Filipino overseas workers remittances and business process outsourcing sector (Balisacan & Hil, 2003) under Macapagal-Arroyo's Administration (2001–2010); infrastructure and tourism development policies that aimed at reducing regional economic disparity; promoting the Philippines as an attractive investment destination abroad, despite being bedeviled by rising insecurity posed by Muslim insurgents, scandals that related to the NBN-ZTE Broadband Deal, rising government deficit that fueled inflation in part attributable to low tax ratio and high tax evasion assuaged in part by implementing the 12% VAT and the E-VAT policies (Balisacan & Hil, 2003).

The Philippines, despite having abundant natural resources, and sufficiently skilled manpower, missed out on the surge in foreign investments in the 1980s and 1990s that countries like Malaysia, Indonesia, and Thailand enjoyed, due to among other factors, regulatory uncertainty, political and economic uncertainty, relatively higher wages, poor physical infrastructure (Boochi, 2008), an underdeveloped financial system, that translates into high investment costs (Yap, 2018:89). Nonetheless, the most pivotal and in fact obstacle that underpins all the above constraints is the political economy, which is characterized by various competing political interest groups that owe their power, according to Azfar, et.al. (2000) to "a centralized and patronage-ridden presidency that orchestrates the execution of policy and allocation of spoils. Such concentration of power is supported by the power of families and clans in the local areas<sup>[xvi]</sup>, within the context of a "neo-patrimonial" political system." To achieve dramatic success in their political career, politicians in the Philippines are compelled by necessity to ally themselves with the President and other members of the executive branch at the local and national level to benefit from the authority and power he or she has that includes, discretion government contracts, providing of licenses, public finance management.

The problem of low investment to GDP ratio is a testament to the adverse perverse incentives arising from political patronage, business and political connections and support, and policy making. The Philippines continues to have one of the lowest investments to GDP ratios in ASEAN. Despite achieving high economic growth, investment in the Philippines does not increase with growth due to poor public investment in infrastructure attributable to i) poor public sector management, which in turn reduces incentives for private sector investment; ii) elite capture manifested in politically connected monopolies influencing regulations and practices that prevent fair competition in factor and product markets create high entry barriers and monopolies that ensure high prices for raw materials and public services. That means that conglomerates that control key public services do not see any need to inject new investments; iii) sectors that are major contributors to rapid economic growth including electronics assembly, business process outsourcing,

and information technology, are labor intensive hence their growth does not stimulate a significant increase in investment (Bocchi, February 19, 2008).

Consequently, a patronage system in which the President is at the center, exploiting it to the full to garner support from local elites, who in turn use the resources that they get from the relationship to strengthen their influence and political support at the local level as reflected in election votes (absence of effective political parties) makes this easier if not the most feasible way available. Political party switching by Congress members to support ruling governments, not only shows a lack of strong commitment to political ideologies and political platforms, but also underscores the absence of effective checks and balances between the executive on one hand, and the legislature on the other. Under such a political framework, the interests of the powerless are forsaken in favor of spoils that those in power and in business readily provide thanks to access they have over resources, which is attested by reforms of institutions, policies, and programs not to enhance effectiveness but increase rewards politicians get from the system including the ability to stay in power. In other words, the Philippines' political system is a good example of state capture, whereby political clans use the state and its agencies as a medium to design policies that are tailored toward facilitating, supporting, and entrenching mechanisms that ensure that policy and political economy outcomes are always in their favor (De Dios and Esfahani, 2001; Kaufmann and Kraay, 2005).

Under such a policy environment, the fate of policy reforms is by and large, dependent on whether they support the vested interests of powerful political clans, well-connected business families, and connected local groups, who are emboldened by the support and connection they have with the center of political, and in this case, economic, authority- the President. Not surprisingly, policy reforms that threaten the grip such groups have on state resources and power (for example competition policy), are hijacked, while those that cement their control over resources, quickly receive approval in the legislature (Fritzen, 2006). A good case in point is the success of government credit policy reform<sup>[xviii]</sup> that was initiated during Corazon Aquino's government, which despite its clear benefits that included promoting private deposit mobilization and lending, cutting huge state funding for a myriad poorly targeted fragmented subsidized directed credit programs that did not generate expected results, cutting wastage of tax payers' money that could be rechanneled to more worthy development programs, removing one source of distortions that undermined financial intermediation and operations of rural banks, experienced policy reversals that nearly rescinded the policy hadn't the policy been underpinned by sound policy advocacy, strong best practice evidence-based legal provisions that included first hand experiences of legislators and policy champions to countries with effective microfinance legislation and institutions, persistence and support provided by well-connected policy champions in the bureaucracy, legislature, think tanks (PIDS), and in the executive arm. The Philippines is today lauded as a leader in Asia and number three in the World on financial inclusion, thanks to a government credit reform policy that paved way for the creation of an enabling regulatory environment for joint public and private partnerships, innovative private sector initiatives in financial services, including NGOs (Llanto, 2018).

Nonetheless, the Philippines' democracy in general, and policymaking on development in particular, has been bedeviled by opportunism<sup>[xviii]</sup>. An OECD (2013) report on the Philippines, highlighted some of the development challenges the Philippines faced, which included low investment in quality infrastructure, roads, health, and education service delivery; low investment to GDP ratio (2003-2011 an average of 20 percent at most during 2003-2011 period, compared with 20-25 percent for Thailand); disparity in the concentration of economic activities (development) in the National Capital Region, Central and Southern Luzon, which combined with Visayas Island, contributed 70 percent of the country's GDP (based on 2011 figures); difficulties faced in project preparation, execution, and monitoring, integrating local and national development programs and projects. Lopsided development and investment decisions have created challenges, which while not unique to the Philippines, finding solutions is fundamental to setting the country's growth and development on an inclusive a sustainable path. Such problems include high open unemployment and underemployment which vary by region and within regions, and between urban and rural areas. The problem is attributable to among other obstacles to Philippines's failure to transition from an agriculture-based economy to manufacturing and services as other countries such as Malaysia, Thailand, and even Indonesia, have done. What is even more disconcerting is the high percentage of educated unemployed and underemployed. Based on 2012 figures, the combined unemployed of those with secondary and college education was above 79 percent. Such a high percentage of educated unemployed calls into question the relevancy and appropriateness of content in education curricula to manufacturing and service sector requirements, recruitment methods that overemphasize experience, and high dropout rates. Relating to unemployment, persistently high unemployment in the Philippines is in part attributable to the low job absorption (creation) rate of the economy. During the 2009-2012 period, the Philippine economy saw a reduction of unemployed by just 100,000, which is a paltry sum compared with 2.8 million in 2012.

Referring to some of the factors that continue to plague the Philippines' economy, Yap (2018), cites a number of problems, which among others include, the inability of the Philippines to benefit from increasing regional and international trade and investment due to the absence of sound competition policy, incoherent industrial policy, unsustainable national macroeconomic strategies, unsustainable financial reforms, weak and disjointed physical infrastructure, weak supporting institutions, including weak incorporation and enforcement of good governance practices, and lack of comprehensive social programs. To that end, improvements required encompass implementing sustainable national macroeconomic strategies, sustainable financial reforms, developing integrated physical infrastructure, and putting in place a, strengthening supporting institutions, including good governance practices, and social development programs that increase public access to education and health in part deemed necessary to increase the fairness of development outcomes.

### *iii. Democracy, institutions, and Economic development in the Kingdom of Thailand*

In 2018, Thailand had a GDP of US\$455 billion, second in size to Indonesia in ASEAN, AND 28<sup>th</sup> in the World, with Industry, services, and agriculture contributing 39.2%, 52.4%, and 8.4%, respectively. The country enjoyed high growth of 7.5 percent (1960-1996), lower but still high growth of 5 percent (1999-2005) on average, slower growth of 3.5% (2005-2015), and 2.3% (2014-2016), and rebounding to 4.1 % in 2018 (World Bank, 2019). Thailand exported US\$236.69 billion (2017), had an external debt of US\$148.9 billion, a public debt of 40.78% of GDP, US\$236.02 billion in foreign reserves, ranked 27<sup>th</sup> on Ease of Doing Business (2018), and Gini coefficient of 0.484 (2011), which is high. Nonetheless, Based World Bank (2019), sustained economic growth development has reduced poverty incidence (based on US\$5.5 a day) from 67 percent (1986), 10.5 percent



of the population (2014), 7.2 percent of the population (2015), rising slightly to 7.8 percent in (2017).

Tracing some of the key drivers of economic and development in Thailand, including but not limited to the strong economic foundation laid by King Mongkut (1851-1868) and King Chulalongkorn (1868-1910), through economic liberalization, increased participation in foreign trade, and international affairs, abolishment of serfdom and slavery 1901/1905 to the emancipation of male labor for productive activities, which increased trade with Europe(France and UK), US, and China through treaties that guaranteed rights in the Kingdom and Investment in education and participation in investment that essentially offset Thailand's lack of abundant natural resources.

Subsequently, the country's social and economic foundation was strengthened by investment in agricultural infrastructure, which supported agricultural production for domestic and foreign markets before the second world war; industrialization drive based on state-owned enterprises and import restriction policies after the second world war; national economic development plan (NEDP) 1961-1966, which strengthened industrialization, protected domestic market and encouraged public-private partnership through an import substitution development strategy and the national social economic development plan (NSED) during 1977-1981 that was underpinned by an export promotion development strategy which in turn was supported by an accommodating foreign investment regime (Numnak, 2004).

Nonetheless, it is worth noting that like Indonesia and unlike the Philippines, the Military institution has played a key role in the economic development of Thailand. Economic development in Thailand got underway during Military led governments under Field Marshals Sarit Thanarat (1958-1962) and Thanom Kittikachorn (1963-1973), a trend that continued under successive governments. It is for example under the leadership of the military that Thailand witnessed the establishment of some of the key economic institutions such as state enterprises (bureaucratic capitalism) during 1947-1951, which was thanks to the exploitation of the cold war rivalry between the US and China to pursue Thailand's interests. Thailand played the US (provided economic assistance) against China(trading with dragon nation); developed the country's infrastructure; privatized state enterprises outside infrastructure; established economic institutions that include the Bureau of Budget, the Office of the National Economic and Social Development Board (NESDB), the Thailand Board of Investment (BOI), the national economic and social development plan in 1961, and instituted import substitution industrialization. It is also worth noting that the Thailand government also exploited political instability in neighboring countries (Cambodia and Myanmar) to pursue the country's economic growth and development during 1978-1989. Meanwhile, during the 1988-1997 period, rapid economic development in Thailand, owed much to several factors, including devalued Thai Bhat which encouraged exports, an increase in foreign investment, a paradigmatic shift in economic development strategy from import substitution to export promotion, a policy direction that continues to this day.

The main feature of economic development was and to a large extent, been driven by a strong emphasis on export promotion, initially focusing on agricultural commodities, but gradually shifting gears toward higher valued added electronics, automobiles, and machinery (Ayal, 1992). Nonetheless, economic development in Thailand, is dissimilar to that in other East Asian countries in one important respect-absence of direct intervention into priority sectors in forms of targeted credit and other forms of protection, preferring instead to provide fiscal and macroeconomic stability and infrastructure development (Higashi, 1996<sup>[xix]</sup>). The history of economic development in Thailand began with an emphasis on import substitution in the early 1970s, switching gears toward export promotion in mid-1980s, due to several factors, including, as a response to the rising domestic demand for intermediate products, raw materials to support both the labor intensive and the infant heavy industries, the adverse impact of oil price shocks on the country's balance of payments, Yen appreciation that triggered massive relocation of Japanese investments to developing East Asia economies, and change in global trade dynamics with the coming into being of WTO (1994).

The role of the military in development (establishment of state enterprises(bureaucratic capitalism) 1947-1951, exploited cold war rivalry to pursue Thailand's interests by playing the US (provided economic assistance) against China(trading with dragon nation), developed countries infrastructure, privatized state enterprises outside infrastructure, established economic institutions including Bureau of Budget, the Office of the National Economic and Social Development Board (NESDB), and the Thailand Board of Investment (BOI), the national economic and social development plan in 1961, instituted import substitution industrialization

To that end, if there is anything indisputable, it is the vital role that the Thailand Government has played in the design and development of Thailand's manufacturing sector. Through various policies, the Thailand government-directed investment toward manufacturing and processing industries it considered its priorities, initially tailored toward fulfilling the needs of the domestic market (until the mid-1980s) and afterwards to achieve a competitive edge that was considered necessary to compete in foreign markets (Higashi, 1996). Policies have over the years included trade and investment (refinancing credit, tax income holidays, exemption of import duties, tax refunding system); liberalization policies (gradual reduction of import taxes, abolition of import substitution requirements; financing feasibility studies, which have supported the growth and development of domestic industries that initially produced processed agricultural products for domestic and export markets, and over time, production of intermediate products such as resins that are used in the production of other products (petrochemicals and iron and steel industry).

Thus, while the agricultural sector, to a large extent, tended to be left to the forces of the 'free market', on the contrary, the structure and composition of manufacturing industries in Thailand owe much to government policy executed through fiscal, financial, providing stable conservative macroeconomic stability, investment in infrastructure that created an enabling investment environment for a robust private sector, as well as attracting a high level of FDI from capital exporting nations such as Japan at the time(Scot et al. 1993). There is, however, no denying the fact that developments in global dynamics also played a role in shaping the trajectory of that Thailand's manufacturing has taken (oil shock of the mid-1970s; realignment of international exchange rates that followed the Plaza accord (1985); establishment of World Trade Organization (trade-related investment tariffs), intellectual rights protection regime); rising advancement in manufacturing capacity that triggered imposing of limits to access General system of preferences (GSPs).

On the contrary, state developmentalism has to a certain extent been absent in the agricultural sector policies. Policies adopted toward agricultural production were based to a certain extent influenced by Politics, not economics (War & Kohpaiboon, 2007). Agricultural sector policies that were adopted prior to the mid-1980s when agricultural commodities were taxed to support government revenue (unorganized, uneducated, poor rural farmers were not forced to oppose such measures), and liberalization of trade in agricultural commodities in the 1990s (necessitated by rising democratization, urbanization, and rising income per capita of rural farmers that turned rural farmers into a strong

political force that political elites wooed for votes). To that end, political expediency not economic rationality (AFP, 2008), has influenced policies adopted in the agricultural sector. Though one can argue that providing agricultural subsidies to agricultural production and export of agricultural commodities such as Sugar and Rice would have proved a major drain on the country's budget. The case of rice subsidies, which Yingluck Shinawatra's government disbursed to the upcountry support base that involved the government buying rice at twice the market price, created an economic imbroglio of large rice stockpiles that the Thailand government could not sell in the foreign market because of the high price. The program cost the government an estimated US\$18 Billion, lost albeit temporarily its status as the World's leading rice exporter, and the beginning of the unraveling of Yingluck Shinawatra's short political career (AFP, 2015). Another feature of protection adopted, in cases where that has been the case, is the indirect form it has taken. Protection of agricultural commodities has been not directly applied to agricultural production, but rather through the imposition of export taxes and import quotas and the development of infrastructure.

Consequently, the main beneficiaries of agricultural commodity protection and the boom in exports, have been producers and processors rather than rural farmers, some of whom remain in poverty. There is an argument that policies that the Thailand government adopted in the agricultural sector, perhaps were not entirely motivated by political considerations, but rather by the overarching goal of achieving the country's long-term development goals. Two factors support such an argument *inter alia*, liberalization of the agricultural sector occurred at the same time such a policy regime was implemented in the manufacturing sector (after the 1990s), and the agricultural commodity exports were the first to benefit from refinance credit facility as early as 1956) which were provided by the Bank of Thailand through commercial banks, and later manufactured exports; economic development of Thailand necessitated a change in priority of development priorities from the agricultural sector from 1970s to late 1980s to manufacturing and industry since early 1990s.

A good indication of the strong dependency of Thailand's economy on global trade (exports) is the impact of the China-US trade war on its economic growth and employment rate (National economic and social development council, May 2019). The decline in the global growth rate is having an adverse effect on Thailand's economy due to its strong dependency on exports. Thai economic growth rate shows a downward trend, largely attributable to the underperformance of the manufacturing sector.

By steering and directing the concentration of developments in the non-agricultural sector in urban areas especially Bangkok city region, successive Thailand governments have contributed to the lopsided economic and political dominance of urban areas over rural areas in the country (Ayal, 1992<sup>[xx]</sup>). The primacy of Bangkok city in Thailand as the main center of economic activities(manufacturing and services) is attributable to agglomeration advantages that include a large population that makes it a large potential market, availability of skilled and semi-skilled human resources, attracts capital investment, the center of innovation and productivity, enabler of spatial structure efficiency, and generates opportunity for spillover effects of knowledge and creativity for households and enterprises (Simons, 1978). To that end, the concentration of manufacturing activities in urban areas, especially Bangkok, has created a disparity in development between rural and urban Thailand, which in turn has not only influenced the importance and primacy of the latter in economic and social opportunities available compared with the situation in the former but also most crucially, the unequalled predominance with respect to political influence over the composition and direction of government policies.

Simons(1978) uses the concept of urban systems that was developed by Ginsburg and Ullman in the 1950s cited in Ayal (1992) to explain the implication of a well-developed urban system to encapsulate the entirety of all activities that occur in a country, observed interregional relationships, and serve as a model to analyze spatial variations in growth and changes. Relationship between cities is categorized either as primacy or separation, with the former referring to conditions where one city has no relations with other cities, while the latter describes a relationship among cities that is characterized by one city predominating others in all respects including the level of economic activities and size of the population.

The primacy of Bangkok city region over other cities in Thailand is illustrated by the fact that most key manufacturing activities established over the last three decades have been and will be most likely in the foreseeable future continue to be, allocated in the region and its population is thirty times larger than the second largest city. It is a development that is in part attributable to the disparity in development and the wide income gap that has become a hot political issue in Thailand's politics. Thus, in polarized development and impact on social and economic outcomes, as reflected in the fact that based on 2014 figures, 80 percent of Thailand's poor population (7.1 million) lived in rural areas, and 6.7 million of who earned a living that was just 20 percent above the national poverty line making them vulnerable to falling back into poverty. and is one of the root causes of divergent political perspectives that have become one of the most distinguishing features of the yellow shirts, who were members of People's Alliance for Democracy (urbanites) and Red Shirts (rural Thailand supporters) movements that continue to characterize Thailand politics to this day.

Thus, the dominance of urban areas over rural areas in public policy space is reflected in an OECD report (2013) that noted that disparity in education access and quality between those Urban areas (quality) and rural areas in North, South, but specifically North East(inadequate) largely due to big differences in transportation costs (physical infrastructure development), quality of teachers, and learning environment; disparity in access to health services and quality of services available between urban and rural areas; limited access of the poor in both rural and urban areas compared with easy access to quality health services for middle and upper-income population; and limited access to health insurance protection for the poor and migrant population compared with almost universal access for middle and upper-income classes(OECD, 2013).

To reduce poverty in rural areas, the Thailand government implemented poverty eradication programs for that socioeconomically disadvantaged population in general not specifically the production of agricultural commodities including those that are a major source of the country's exports(Sugar, Rice, Palm oil, and Maize), preferring to use "cash transfers to village organizations, subsidized loan schemes, and rural infrastructure development." To reduce the growing income inequality gap in Thai society, the government has adopted measures to increase the earning power of disadvantaged groups by improving access to quality education. One good example of that is the establishment of the Equity Education Fund, under the Education Equality Fund Act 2018, which aims to increase access to education for disadvantaged sections of the Thai population, as well as enhance teacher quality and efficiency (NESDC, 2019<sup>[xxi]</sup>). That said, in general, the Thai rural population, despite contributing much to the country's agricultural commodity success story, has remained poor due to low productivity, and the absence of off-farm economic activities to earn a living. Persisting poverty in rural Thailand, today has strong

influence on Thai policies since Thaksin Shinawatra became Prime Minister in 2001. Shinawatra and his Pheu Thai Party to this day remain popular in upcountry Thailand because of the support his government and that of his sister Yingluck Shinawatra, gave to rural farmers thanks to the populist policies that offered direct subsidies to rural farmers, which later jettisoned the latter out of power.

Thus, with respect to the institutional framework, Indonesia has in place the most implementing and supportive institutions that should ensure that democratic aspirations are aggregated and incorporated into programs and actions on the ground. However, one of the problems is the changing nature of the implementing institutions (laws and regulations) at both the national and local government level over time, which underscores fundamental problems with the capacity to draft regulations that take into consideration cross functional, trans sectoral, inter regional, and intertemporal implications.

Consequently, slight changes in factors that were not taken into consideration during the formulation of a law or regulation, trigger frequent revision, and amendment of the same, a problem that has created legal uncertainty for implementers and compliance difficulties. The capacity to formulate regulations varies among local governments, yet based on the autonomy law (Law No.23/2014), all autonomous local governments have the authority to enact local regulations in 23 obligatory and optional areas. A host of regulations issued at the sectoral and territorial level, overlap, creating implementation problems, including the opportunity for regulatory arbitrage during compliance; the complexity of dealing with various government agencies' jurisdiction over the same object but differently depending on the nature and scope of functions and delayed implementation, which tantamount to postponing growth and development activities. Indonesia has established many supportive institutions, most of which have been vested with sufficient independence and authority. Some of the problems that affect their effectiveness in contributing to effective policy processes include the selection and vetting process, which by involving the national assembly committee responsible for the function under which the respective commission falls makes it susceptible to efforts of political parties to put precedence putting in their representatives to serve as commissioners over competence and public interest concerns; funding a growing number of independent commissions is also a problem; the government is also in part to blame because it sometimes nominates officials to serve on independent commissioners as a 'retirement' present rather than because such individuals are the best in the field.

Based on the literature review both Thailand and the Philippines have established both implementing and supportive institutions, however, in the case of Indonesia and the Philippines political opportunism made possible by weak political culture, has hampered the establishment and enforcement of effective supportive institutions. In Thailand restraints on democracy imposed by successive military regimes have prevented the same problem from happening.

"Inequality of wealth, income, and consumption undermines long-term economic growth by creating and aggravating disparity in educational opportunity, thwarting human capital formation, and undermining efforts to improve intergenerational social mobility" (Fine et al., 2019). It is in this context that the problem of high-income inequality, which plagues Indonesia, Thailand, and the Philippines, becomes very relevant. Rising economic growth and prosperity in middle-income countries including Indonesia, Thailand, and the Philippines since the 1980s, is in part responsible for the increase in the share of wealth enjoyed by emerging and developing economies from 14 percent in 2000 to 22 percent in 2014, and a concurrent decline in the share of global wealth of high-income countries from 80 percent in 1980 to 71 percent in 2014, but inequality remains a serious problem with social, economic and political policy implications in the three countries.

While many factors may be to blame, there is no doubt that institutional framework, and by implication, politics which influence the form, direction, and composition of public policy, the economics of losers and gainers, are in part to blame. The players and dynamics may differ in the three countries, but the outcomes with respect to the distribution of policy outcomes seem to follow the same trajectory-increasingly noninclusive economic growth. Democracy or the lack of it, has not had a significant impact on the model of economic growth and development, which Fine et al.(2019) describe as plagued by rent-seeking activities, allowing monopoly power a free hand in the management and control of key resources that affect the lives of many, and the existence of negative economic activities that have negative externalities and adverse impact on the performance of economic agents<sup>[xxii]</sup>.

Nonetheless, structural factors are also to blame. There is no denying the fact that the increase in the share of financial services, pharmaceutical industries, technology-related activities, and business services in the economy, which are characterized by highly concentrated ownership structures, and capital intensive, requires high management and worker skills that can only be acquired through tertiary education, and are generally located in urban areas; the decline in the share of labor in GDP which in part is attributable to the decreasing influence of unionised labor in real wages workers earn, coupled with rising digitization and automation, have also played their part.

In a high electoral uncertainty situation, if the government aims to maximize political capital rather than the pressure to increase the chances of re-election, society is worse off as the tax collection is maximized but outcomes are redistributed in the form of political rent without the provision of public goods. In a probabilistic model setting, Box (2015) finds out that the optimal redistribution format is one where the government spends on public goods that serve the interests of the rich and median-income earners rather than those of the poor. This finding may explain growing income inequality amid rising wealth in democracies, in both developed and the developing world, the tendency of a drastic increase in public spending on populist items such as wage increases for public servants, ramping up of improvements and repair of dilapidated infrastructure in the leadup to general elections. This is especially evident in democracies where the contest comprises many political parties with divergent political ideologies and policy stances, or where it is a two-horse race as has been the case during Indonesian past two elections, where small electoral margins differentiate between joyous winners and forlorn and dejected losers.

#### IV. Discussion

This research considers government effectiveness to embody a functional and reliable institutional framework. Correlation results in the three countries, Indonesia, the Philippines, and Indonesia, show that the rule of law, political stability and absence of violence, human development index, and competitiveness and control of corruption have a positive and strong association with government effectiveness. Corruption is a key obstacle to improving the delivery and distribution of benefits of improvement in voice and

accountability to the citizenry (Box, 2015). while political stability, human development index, and corruption are impediments to achieving democratic governance. Results on Philippines show that government effectiveness, competitiveness, and corruption are crucial for voice and accountability. Thus, there is commonality in the country regression results. This is the role that fighting corruption should play in ensuring that improvements in voice and accountability translate into better social and economic wellbeing for all rather than an enjoyment for a few strongly connected elites in the public bureaucracy, political parties, and those affiliated to organized public and private institutions. Thailand should strengthen its policies that are aimed improvement and enhancement of human development, political stability and fighting corruption incidence; Philippines should focus its policies on improving government effectiveness, competitiveness, and alleviating corruption ; while Indonesia should garner its resources and policies to fight the scourge of corruption . That said, all three countries should put in place counter corruption policies if fruits of growing participatory public policy process and democratization are to generate benefits for all. The findings, however highlight the fact that despite many similarities in cultural norms the three countries share thanks largely to their geographical proximity, the interplay of forces that comprise and influence the social, economic, political economy and cultural dynamics and context on the nature, composition and direction of the democratic process seem to differ across the three countries. Thus, country-idiosyncratic factors such as kind of religion and its influence values, norms and attitudes; colonial past or the lack of it; differences in political economy configuration and how that influences policy at the meso and macro level; and openness to external sources of institutional capacity building especially in the realm of governance and democratization.

Public perception about the efficacy of the democratic system to provide an enabling environment for the evolution of democratic institutions that are crucial for the social and economic institutions, which are complementary to improvement in social and economic development seems to be circumspect given limited and phlegmatic efforts to establish mechanisms and policies that support and sustain observation of good governance principles, corruption control, limiting, mitigating and curbing the encroachment of state capture in the public policy process, preventing and thwarting patronage and opportunism, as well as limiting the influence of nonelected but organized organs on the direction and composition of government policy. The reality is that the trend in the three countries over the last few years is pointing towards such developments does not augur well for the evolution and sustainability of institutions that are crucial for democratic governance and by extension, good economic and social governance. The dilemma of rising income inequality amidst growing prosperity, which is a problem that the three countries are facing today underscores the extent to which there is a big gap between public aspirations and public policy outcomes. Signs are pointing toward democracy being hijacked by a few strongly connected elements in society thanks to the control they have over human, physical and financial resources, which in turn vests them with the capacity to influence the direction, conduct, and composition of public policy in line with their interests to the detriment of public interest.

Institutions in the form of laws, rules, and regulations on political organizations and electoral process are necessary for a democracy to function effectively, but are not sufficient to ensure that democracy does not only function to serve the interests of political parties and those directly involved in the politicking, but produces public goods that meet the needs of all segments of society. Effective implementing institutions are needed to do that.

Considering the important role that informal values and traditions play in influencing the behavior of individuals, it is the extent to which values, norms, and traditions (individual behavior and group influencers) are aligned with principles of effective and efficient government and good governance or nudged towards that direction, that determines the impact which formal institutions (interventions) have on the democracy- social and economic development relationship. Increasing public participation in the public policy process through the implementation of open government regimes that emphasize transparency and accountability, while increasing public access to information and data relating to output from government public policy process, does little to change the quality of inputs used, let alone the process that converts such into policy outcomes. This may be in part responsible for the missing link between democratizing the public policy process and achieving quality public policy outcomes (Raffler, Posner & Parkerson, 2019). Policymaking in a democracy is not as easy as in an autocracy, for several factors including, rotating policy windows that are influenced by election cycles and changing dynamics in a country's politics and economics (including economic crises attributable to domestic and external causes). This is the point that Llanto (2018:130) makes when he argues that "policy reform effort ... like working with a complicated machine with many moving parts whose movements have to be efficient, coordinated, and synchronized."

There is a common factor in the three countries, which is the weak political culture development that has created opportunities for political opportunism, which translates into shifting stances and support for policies depending on calculations of personal gains and loss rather than public interest concerns. In the Philippines, the problem may be attributable to the American legacy of putting politics of representation above building institutional capacity (freedom to exercise the right to elect and be elected), while in Thailand the problem may be due to the overbearing influence of the military, which has created uncertainty of tenure, which in turn has dissuaded many from taking politics as a serious political career. In Indonesia, 'strong-man' politics during the first post-independence government and cemented during subsequent new era government, created conditions that prevented the emergence of strong and unfragmented social organizations that bridge people from all walks of life, creed, area of origin which qualities are vital for the establishment of political parties that are driven and motivated by unequivocally clear nationally oriented policy goals, agendas and strategies rather than personal identity, religious and regional affiliations, and origin.

Low education effectiveness as gauged from the inverse relationship between high participation rates and graduate numbers (schooling) on one hand, and job placement (reflecting effective learning) on the other, is a structural problem that affects the three countries. It is also a problem, considering the importance of an informed populace in the institutional capacity development process, also undermines institutional development at both the level of policymakers, and the general public as the fourth state and a source of oversight over actions of the state and its machinery. Democracy and decentralization, while have created opportunities for the public to participate in directly electing government officials in the legislature and executive arms of government at the national and sub-national level, who in turn are vested with the authority to make judiciary appointments, have not created favorable conditions for interest group formation among urban and rural citizens alike. Institutionalizing democratic reforms, which given the stage that the country's democratization has reached, should be in the ascendancy, is however facing obstacles that are emanating from the poor regulatory framework at the local and national level, which in part is attributable to the devolution of authority. Consequently, this has led to the spreading thin of available human and nonhuman resources, undermining the capacity and capabilities to formulate, implement and enforce effective legislation at both the national and subnational levels.

Besides, the absence of strong and impartial interest groups has increased the importance of political parties in national and local policy. This is despite weak institutional capacity (human resources, financial resources, weak 'political caderization' capacity), which has forced them into expeditious marriages of convenience with oligarchies and 'strongmen' at the national and local levels. Quality regulations and policies have been unfortunate outcomes. Therefore, good performance on democracy rank in general, may not represent an improvement in the quality of democracy in general, but rather an increase in the performance on political participation category since by and large measures percentages voting in presidential and legislative elections, which by itself does not translate into the quality policy process. On the contrary, rising political participation such as the kind that has been witnessed recently is attributable to public disappointment and frustration with democracy due to poor government functioning (declining accountability, and transparency amid rising corruption), political culture (elitism, state capture, patronage), and the increasing erosion of civil liberties. The same underlying problem is attributable to the rise in popularity of strong men, who are elected on the card of doing what the public wants even if that goes against established traditions and conventions. The election of Joseph Estrada, Rodrigo Duterte, and Bongbong Marcos in the Philippines are three good cases in point. It is also important to note that a good section of Thai society (yellow shirts) welcomed a military coup in Thailand as an acceptable way to resolve the protracted public demonstrations that had virtually put the government and private services and operations at a perpetual standstill in Bangkok, and considering the importance of Bangkok in Thailand's economy, the whole country. Joko Widodo won the Indonesian Presidency largely because of his promises to use his 'outsider' influence to tackle systemic and structural economic and social problems, including corruption, improving the welfare of the downtrodden population in the rural and urban areas, and overhauling the dilapidated public infrastructure, and staging a multipronged attack against rampant corruption.

In addition, Tissamana<sup>[xxiii]</sup> mentions two fundamental problems that plague Thailand's politics and policymaking, inter alia, patron-client relationships, and shifting political party brands. The two problems, while seeming unrelated, are in fact a manifestation of weak political, institutional, and cultural development, which is attributable to the dominance of the Thailand military on the country's political landscape. The protracted dominance has left little space and opportunity for sustained growth and development of politics that transcend personal identity and charisma and exploiting loopholes in the enforcement of good governance principles in all aspects of public life by government and politicians to surround themselves with people who are blindly loyal as a way to ensure future career.

One concrete argument that can be made is that institutional development in the three countries while may borrow sporadically from global waves and drivers of change that may be brewing at any time in history, are by and large determined and influenced by domestic developments. Being members of the ASEAN community does not seem to have a strong influence on institutional developments especially those that are removed from the social, cultural, and economic ambit. This may be attributable to the principles of ASEAN that espouse a non-interventionalist, national domestic policy-driven and informed, regional social, economic, and cultural community model that while aiming at strengthening political security and stability does not envisage political unity nor pursue political policy commonality. It is also true that despite being integrated into the increasingly interdependent global economy, the nature and the direction of the development of institutions especially those that are in the remit of democratic advancement, remain under the strong influence of respective domestic political economy. This may explain the paradox of increasing regional economic and social integration on one hand and the continuation of distinct disparity in the realm of politics. Since politics plays an important role in influencing the quality of social and economic policies, differences in politics and by extension, government policies, continue to characterize and influence the content, direction, and quality of policies and institutions.

Pathways out of the quandary include creating conditions that foster and encourage the emergence of committed change champions, both state and non-state actors alike, who cultivate and sustain attitudinal change at the individual, organizational and societal level (Wampler, Touchton, 2018); enhancing public knowledge and awareness, strong leadership, fostering change in power relations (empowering key stakeholders, instituting structured and transparency policy processes; involving all levels and types of decision-makers in the change process; and strengthening systems (involving government and nongovernment stakeholders, establishing and maintaining relationships between components of the system, fostering the existence of information and resource flow between stakeholders and components of the system, and establishing and use feedback loops that gauge action progress and performance (Community Matters, 2018).

This is indeed the lesson learned from the Philippines' experience with institutional development. Think tanks can play a pivotal and game-changing role in setting the agenda that culminates into the formation and implementation of an evidence-based policy (institution) that has survived successive regimes, regardless of differences in policy inclinations, where many others have failed. That said, to achieve that thinks tanks must not only be adept at good timing of their policy proposals such as when policy window opportunities occur for instance in the immediacy of new regime change, but also need continual support of policy champions drawn from the legislature, bureaucracy, executive organs, supportive private sector, international donor community (technical assistance), and non-government organizations, sustaining sound policies even those that have many benefits to society, are liable to succumb to excesses of political expediency and opportunism. Bringing all such factors together is no mean feat, which may explain the rarity of success in other areas of institutional building not only in the Philippines but also in Indonesia and Thailand.

Changing the form of participation from an unstructured to a structured one has also been associated with improving policy outcomes. The adoption of collaborative and problem-driven approaches by civil society organizations for instance has in many cases contributed to strengthening the drive toward fundamental improvement even change in attitudes and values that are crucial for translating participatory processes (democracy) into quality social and economic outcomes (GPSA, 2018). And based on Guerzovich & Schommer (2016), the same is the case with the four typologies of collaborations (inclusive, targeted, restrictive, detached) that bring state and nonstate actors together in co-production and control of public services within an open government, and social accountability framework, while at the same time factoring in partnership capacities, context fit, and strategy complexity, and opportunity for learning (allowing for experimentation) by organizations involved in the process, have created major inroads in translating seemingly lofty aspirations for effective public service delivery into actions that generate actual outcomes (). So is the impact of structuring the democratic voice of key stakeholders (students, teachers, parents) in the learning process on learning outcomes (Smith & Benavot, 2019; Sahlberg, 2007; Ryan, 2004; Pagatpatan, & Ward, 2017).

## Conclusion and Implications

The overarching objective of this paper is to analyze the relationships between institutional development, democracy, human development, and socioeconomic well-being. Specifically, the paper assesses the influence of a country's political and economic, and social systems and cultural fabric on the nature, form, and quality of institutions, and how the interdependence of the relationships influences development outcomes. Research results underscored the importance of implementing supportive institutions for quality socio-economic development outcomes. Specifically, analysis results showed that government effectiveness is a good proxy and embodiment of a functional and reliable institutional framework. Correlation results in the three countries, Indonesia, the Philippines, and Thailand, showed that rule of law, political stability and absence of violence, human development index, and competitiveness and control of corruption have a positive and strong association with government effectiveness. Meanwhile, while there are differences in key factors that influence democratization, with Thailand showing the devastating effect of political instability and human development on democratic governance, competitiveness and government effectiveness in the Philippines, and period of turbulence and fundamental change for Indonesia, corruption comes out as a common factor that remains unperturbed and in fact, seems to be enhanced by improvement in democratization (Muyanja-Ssenyonga, 2012; Fritzen, 2005). That effect may in be attributable to the absence of strong, generally acceptable, measurable and trackable social, economic and political measures to counter and control excesses that are associated with fledgling democratization in countries where it is still in its infancy (Indonesia and Thailand) and in mitigating recurring pathologies of patronage, identity politics and politics of intimidation that have become a common feature in what is otherwise an old liberal democracy- the Philippines.

Meanwhile, document analysis complemented by interviews in the three countries provided insights into some of the various obstacles faced in the emergence of requisite implementing and supportive institutions that are crucial for democratic governance and by extension, good economic and social governance. The dilemma of rising income inequality amidst growing prosperity, which is a problem that the three countries are facing today, underscores the extent to which there is a big and widening gap between public aspirations and public policy outcomes. Democracy, as it is perceived and practiced, has been 'hijacked' by a few strongly connected elements in society thanks to their ability to control human, physical and financial resources, which in turn vests them with the capacity to control and direct organs of state, influence the direction and composition of public policy in line with their interests which is a deviation from those of the public.

However, despite, or perhaps because of, differences in political, social, cultural, and economic institutional contexts obtain in the three countries, research results found some commonalities. This includes weak political culture development that has created opportunities for political opportunism that has been translated into shifting stances, alliances, and support for policies depending on calculations of possibilities of vested personal and group gains and loss rather than those of the public. The problem is more pronounced in the Philippines where the collusion of business conglomerates and politicians has tilted public policy toward serving the interests of businessmen to the detriment of public interest, including relatively low investment. The scarcity of strong interest groups is a commonality in the three case studies, which has increased the stranglehold political parties have over local and national policy. Persisting weak institutional capacity of political parties that has forced them into expeditious marriages of convenience with oligarchies and 'strongmen' at the national and local level, has undermined regulation and policy quality and by extension, forfeited the implementation of inclusive and equitable development. Nurturing strong institutions has also been hampered by persisting vestiges of patron-client relationships and fleeting political party brands, in the three countries.

Pathways to aligning policy outcomes to public interests and aspirations include creating enabling conditions for the emergence of committed change champions, with the influence, commitment, and political economy leverage to cultivate and sustain attitudinal change at the individual, community, organizational and societal level; enhancing public knowledge and awareness; and cultivating and sustaining strong leadership.

Besides, fostering change in power relations by empowering key stakeholders, instituting structured and transparency policy processes; adopting people-centric decision-making in the policy change process in law and practice; strengthening society and government systems by involving government and nongovernment stakeholders, establishing and maintaining relationships between system components, fostering information and resource flow between stakeholders and system components, and establishing and making use of feedback loops that gauge action progress and performance; and altering multi-stakeholder participation from unstructured to structured forms by adopting collaborative and problem-driven approaches.

Important as well is the need to leverage the resource capacity and capability of think tanks to generate policy effectiveness evidence to link knowledge and best practice aggregation and vetting with policymakers; strengthen and sustain the feedback loop mechanism that informs and influences social, economic, and political institutional development process for better, public interest aligned, sustainable public policy outcomes.

In addition, other initiatives include strong commitment; ensuring sustained connections between think tanks, the public, politicians, and bureaucracy; adeptness to changing dynamics in the political and public policy landscape; ensuring sufficient and sustained human and supporting resources to conduct policy research; fostering policy change advocacy engagement involving key stakeholders in the legislature, executive, and NGOs; and providing proof of policy effectiveness to detractors through conducting comparative country study visits.

## Appendix - Model Diagnostics

Diagnostic tests for the joint model for the three countries



### *Test for heteroskedasticity*

#### *Breusch-Pagan test for heteroscedasticity*

Lagrange Multiplier Test - (Honda)

data: Political\_participation ~ Functioning\_government + Political.culture

normal = -0.8606, p-value = 0.8053

alternative hypothesis: significant effects

#### *Testing for cross section covariance between residuals and independent variables (Breusch-Pagan's test)*

pcdtest(model61)

Pesaran CD test for cross-sectional dependence in panels

data: Political\_participation ~ Functioning\_government + Political.culture

z = -2.0191, p-value = 0.04348

alternative hypothesis: cross-sectional dependence

### *Test for serial correlation*

#### *Breusch-Godfrey/Wooldridge test for serial correlation in panel models*

data: Political\_participation ~ Functioning\_government + Political.culture

chisq = 14.627, df = 8, p-value = 0.06682

alternative hypothesis: serial correlation in idiosyncratic errors

Checking balance of number of datapoints and time observations

pdim(model61)

Balanced Panel: n = 3, T = 8, N = 24

#### *Test for serial correlation of idiosyncratic component of residuals (Durbin-Watson test)*

Pdwtest (model61)

Durbin-Watson test for serial correlation in panel models

data: Political\_participation ~ Functioning\_government + Political.culture

DW = 2.4552, p-value = 0.8333

alternative hypothesis: serial correlation in idiosyncratic errors

### *Country models*

Checking and removing multicollinearity



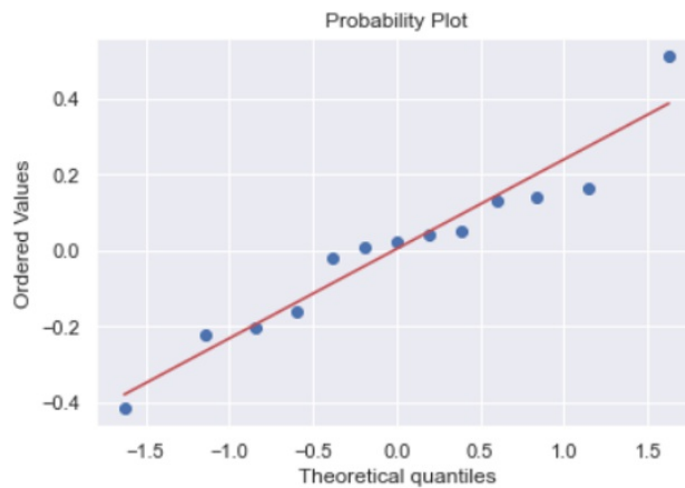
	feature	VIF
0	Year	1.419
1	Regulatory_quality_Rank	3.461
2	Government_effectiveness_Rank	1.627
3	political_stability_violence_Rank	2.289
4	Growth_rate	2.109
5	corrup_rank	2.789
6	ICT	2.296
7	HDI	2.612

Table 5. VIF values showing absence of multicollinearity



Figure 3. Fitted vs Residual plot showing absence of heteroskedasticity

Normality of residuals



**Figure 4.** Probability plot of ordered valued vs theoretical quantities (straight line shows absence of heteroskedasticity)

#### Shapiro-Wilk test

ShapiroResult(statistic=0.8937620520591736, pvalue=0.10982140153646469)

- Since p-value > 0.05, the residuals are not normal as per the Shapiro-Wilk test.
- Strictly speaking, the residuals are normal.
- However, as an approximation, we can accept this distribution as close to being normal

#### Homoscedascity

het\_goldfeldquandt test for homoskedasticity

[('F statistic', 1.2894596101069045), ('p-value', 0.3924164036775057)]

Since p-value > 0.05, we can say that the residuals are homoscedastic. So, this assumption is satisfied.

#### Philippines

#### Checking and removing multicollinearity

	<b>feature</b>	<b>VIF</b>
<b>0</b>	Year	2.018
<b>1</b>	Government_ effectiveness_Rank	1.972
<b>2</b>	GRWTH	6.074
<b>3</b>	corrup_rank	2.864
<b>4</b>	COMPETITIVENESS	5.589
<b>5</b>	HDI	5.772

**Table 6.** VIF values showing correction of multicollinearity (the Philippines)

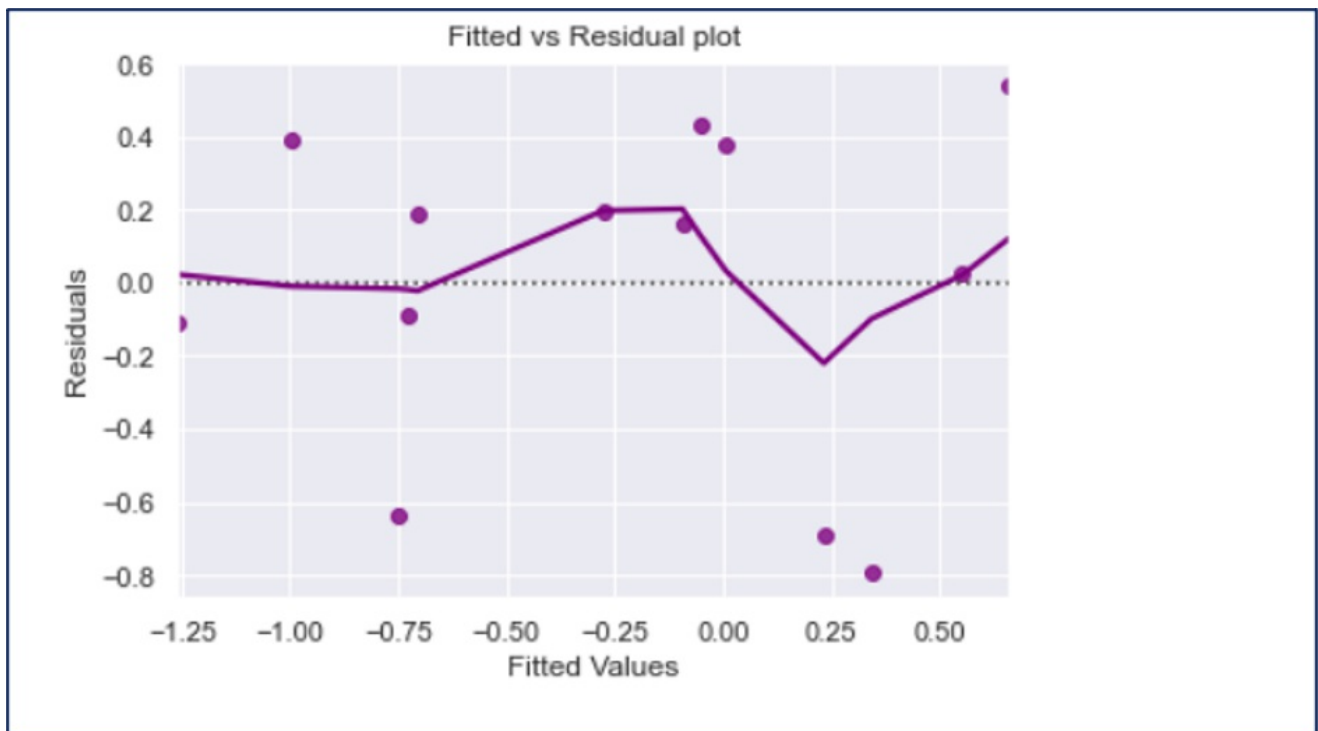


Figure 5. Fitted vs Residual plot showing absence of heteroskedasticity (Philippines)

Normality of residuals

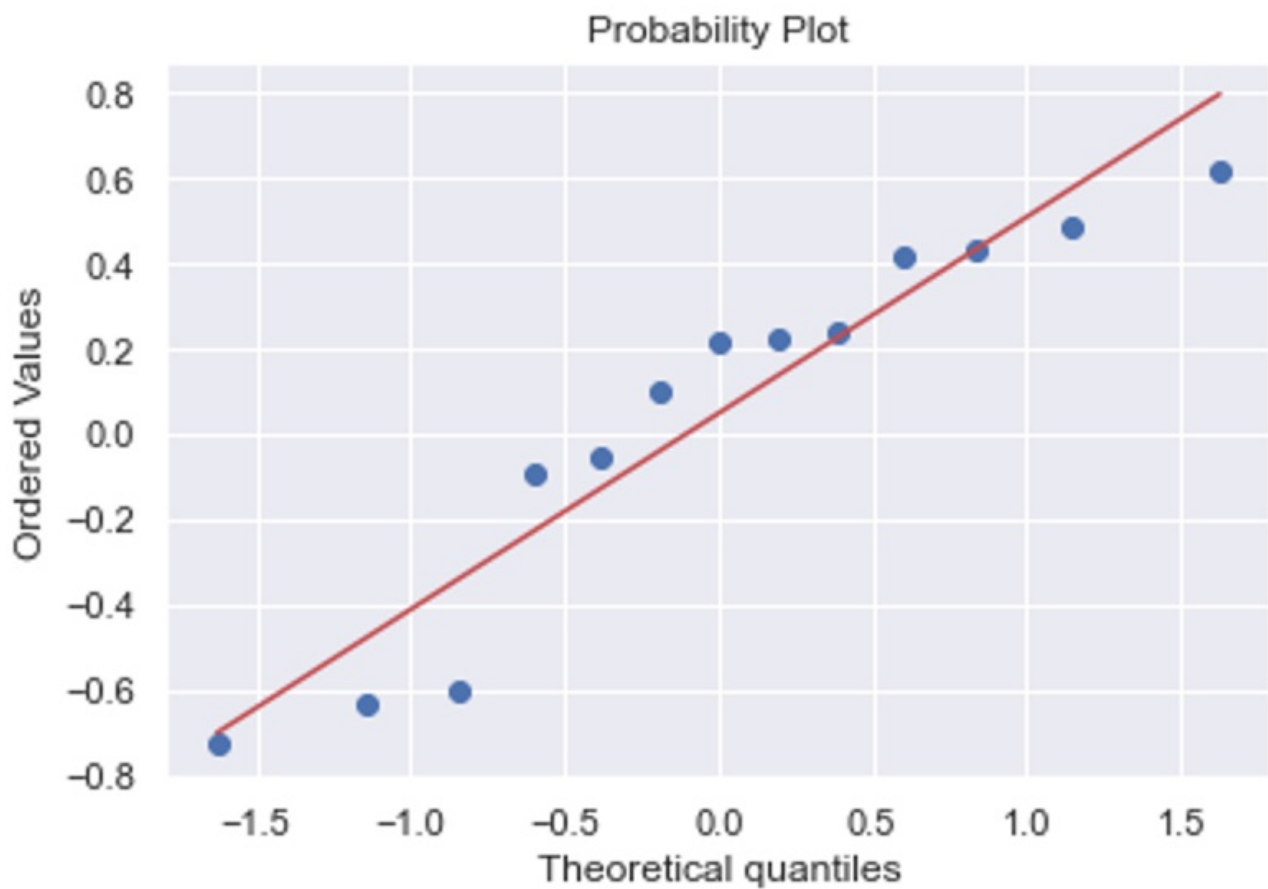


Figure 6. Probability plot of ordered valued vs theoretical quantities (straight line shows absence of heteroskedasticity (Philippines))

Shapiro-Wilk test

ShapiroResult(statistic=0.8937620520591736, pvalue=0.10982140153646469)

- Since p-value > 0.05, the residuals are not normal as per the Shapiro-Wilk test.
- Strictly speaking, the residuals are normal.
- However, as an approximation, we can accept this distribution as close to being normal.

#### het\_goldfeldquandt homoskedasticity test

[('F statistic', 1.2894596101069045), ('p-value', 0.3924164036775057)]

Since p-value > 0.05, we can say that the residuals are homoscedastic. So, this assumption is satisfied.

Indonesia model

Checking and removing multicollinearity

Checking and removing multicollinearity using Variance inflation factor (threshold of 10)

	feature	VIF
0	Year	6.526
1	Government_effectiveness	6.767
2	GRWTH_RATE	5.616
3	Corrup	8.077
4	COMPEITIVENESS	2.643

Table 7. VIF values showing correction of multicollinearity (the Indonesia)

Heteroskedasticity check

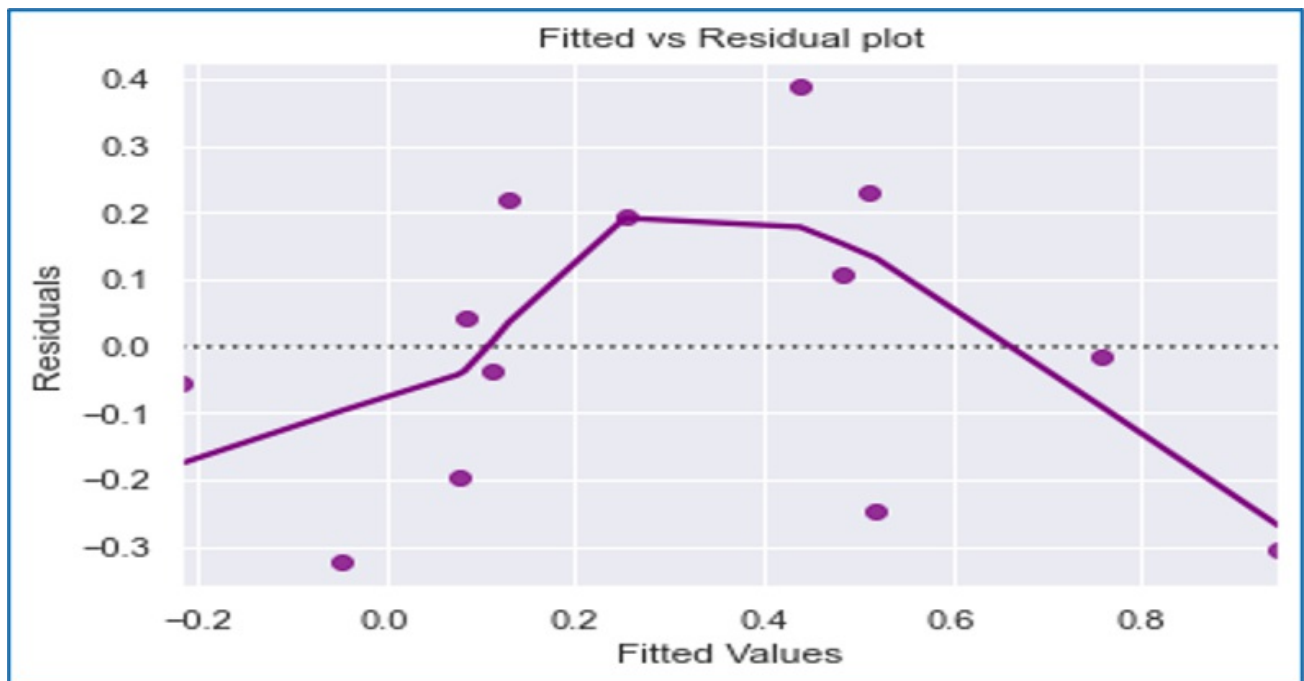


Figure 7. Fitted vs Residual plot showing absence of heteroskedasticity (Indonesia)

Absence of pattern in the plot above attests to the existence of linearity and independence of independent variables

Check for normality of the residuals using Q-Q plot

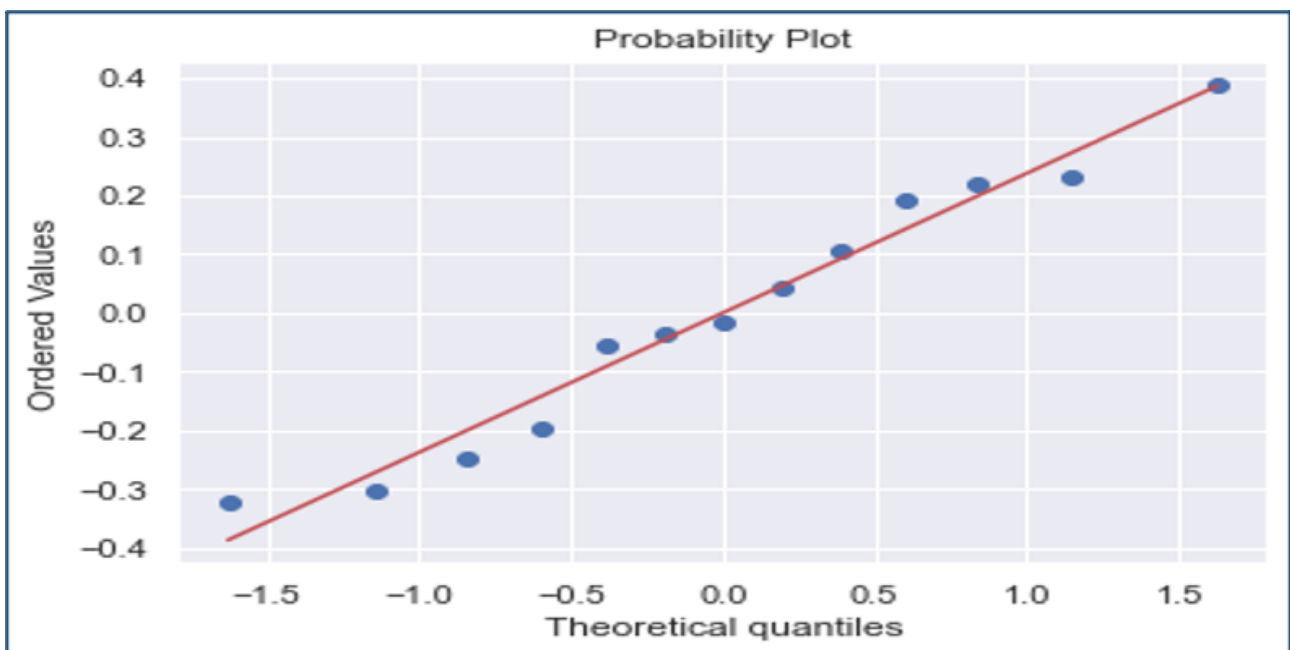


Figure 8. Scatter plot of ordered values versus theoretical quantiles (Indonesia)

Scatter plot of ordered values versus theoretical quantiles shows a straight line, which proves normality of residuals.

Shapiro-Wilk test for normality of residuals

ShapiroResult(statistic=0.9575621485710144, pvalue=0.7157156467437744)

Since p-value of the Shapiro test is larger than 0.05, the null hypothesis of normality of residuals is not rejected.

checking for homoscedasticity

het\_goldfeldquandt test for homoscedasticity

[('F statistic', 0.769063947524402), ('p-value', 0.5887568386382434)]

Since p-value of the test is larger than 0.05, null hypothesis of homoskedasticity cannot be rejected.

## Notes

1. Broadly categorized into obligatory functions that include 6 basis services (ranging from education, health, public works and spatial planning, public housing, peace and security, to social services) and 17 non-basic functions (among others manpower, transportation, food, capital investment, to family planning); optional functions being dependent on location, social and economic context (of which there are 8 including marine and fisheries, tourism, agriculture, forestry, transmigration, among others. The central government is still responsible for carrying out absolute functions, that include defense, security, religious affairs, judiciary and prosecution, foreign affairs, and monetary and fiscal policy, while the president is charged with carrying out general administration functions in the capacity as head of state (Law No.23/2014)
2. Excerpt of an interview with Dr. Dicky Sofian
3. Interview with Medelina
4. <https://www.kpk.go.id/en/about-kpk/function-and-tasks>
5. Since 2003, PPATK has received 64,775,563 reports of suspicious financial transactions, 43.4 percent were red flagged as potential corruption activities. Some of the cases were subjected to further PPATK investigation and inspection, results of which were sent to the corruption eradication agency, the police, Indonesian Military, prosecution, and relevant government agencies for further action (PPATK, February 2019).
6. Excerpt from an interview with Ricky Sofian, who is an expert and pundit on social, cultural and political issues in the Gadjah Mada University's center for intercultural and religious studies, Faculty of Graduate Studies, Yogyakarta
7. The five categories include Electoral process and pluralism, functioning of government, political participation, political culture, and civil liberties (EIU, 2019:14)
8. Blue Book of the First Year of the Republic, Manila: Bureau of Printing, 1947, p. 27
9. History: Milestones in Corporate Existence", Landbank web site
10. Hedman and Sidel (2000)
11. ibid
12. ibid
13. One major policy shift being the government credit policy reform initiative that among other things, begun the process of reducing direct government involvement in credit disbursement, by closing 42 agriculture credit programs and consolidating remaining balances into the Comprehensive agricultural loan fund (CALF), which was entrusted with guaranteeing loans channeled by microfinance institutions to small farmers.
14. This is in contrast with efforts to reform the build operate and transfer known as the BOT Law or Republic Act 6957 (Llanto, 2018:113) that while enacted was not implemented.
15. One good indication of that is the amount of budget allocation that goes to local projects which owe solely to political expediency of senators and legislators toward their constituencies (pork barrel projects).
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implemented

26. One good indication of that is the amount of budget allocation that goes to local projects which owe solely to political expediency of senators and legislators toward their constituencies (pork barrel projects)
27. One of the worst manifestations of clan politics in the Philippines is the use of militias that enforce and coerce compliance with wishes and interests of clan and family leaders. This has led to conflicts among militias that support rival political clans which often boil over into fatal attacks on rivals and supporters. The most infamous November 23, 2009 massacre of 58 members of Mangudadatu family who was an aspiring Governor of Maguindanao in Southern Philippines and 30 journalists in the entourage by Ampatuan family who was the incumbent is considered to be one of the worst manifestations of local political rivalry and underscores the danger of allows the militarization of local politics by creating rivaling militias (Jorgio & Griffiths, 2019)
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30. ibid
31. Academic Researcher in King Prajadhipok's Institute, Bangkok, Thailand
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37. ibid
38. Academic Researcher at King Prajadhipok's Institute, Bangkok, Thailand

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## Appendix II Model Diagnostics

Diagnostic tests for the joint model for the three countries

*Test for heteroskedasticity*

#### **Breusch-Pagan test for heteroscedasticity**

Lagrange Multiplier Test - (Honda)

data: Political\_participation ~ Functioning\_government + Political.culture

normal = -0.8606, p-value = 0.8053

alternative hypothesis: significant effects

*Testing for cross section covariance between residuals and independent variables (Breusch–Pagan's test)*

```
pctest(model61)
```

Pesaran CD test for cross-sectional dependence in panels

data: Political\_.participation ~ Functioning\_.government + Political.culture

$z = -2.0191$ , p-value = 0.04348

alternative hypothesis: cross-sectional dependence

*Test for serial correlation*

*Breusch-Godfrey/Wooldridge test for serial correlation in panel models*

data: Political\_.participation ~ Functioning\_.government + Political.culture

chisq = 14.627, df = 8, p-value = 0.06682

alternative hypothesis: serial correlation in idiosyncratic errors

Checking balance of number of datapoints and time observations

```
pdim(model61)
```

Balanced Panel: n = 3, T = 8, N = 24

*Test for serial correlation of idiosyncratic component of residuals (Durbin-Watson test)*

```
Pdwtest (model61)
```

Durbin-Watson test for serial correlation in panel models

data: Political\_.participation ~ Functioning\_.government + Political.culture

DW = 2.4552, p-value = 0.8333

alternative hypothesis: serial correlation in idiosyncratic errors

## Country models

Checking and removing multicollinearity an

**Table 5. VIF values showing absence of multicollinearity**

**Figure 3. Fitted vs Residual plot showing absence of heteroskedasticity**

Normality of residuals

**Figure 4. Probability plot of ordered valued vs theoretical quantities (straight line shows absence of heteroskedasticity)**

Shapiro-Wilk test

ShapiroResult(statistic=0.8937620520591736, pvalue=0.10982140153646469)

Since p-value > 0.05, the residuals are not normal as per the Shapiro-Wilk test.

Strictly speaking, the residuals are normal.

However, as an approximation, we can accept this distribution as close to being normal

### Homoscedascity

het\_goldfeldquandt test for homoskedasticity

[('F statistic', 1.2894596101069045), ('p-value', 0.3924164036775057)]

Since p-value > 0.05, we can say that the residuals are homoscedastic. So, this assumption is satisfied.

Philippines

### Checking and removing multicollinearity

**Table 6. VIF values showing correction of multicollinearity (the Philippines)**

**Figure 5. Fitted vs Residual plot showing absence of heteroskedasticity (Philippines)**

Normality of residuals

**Figure 7. Existence of Normal distribution of residuals (Philippines)**

**Figure 6. Probability plot of ordered valued vs theoretical quantities (straight line shows absence of heteroskedasticity (Philippines)**

Shapiro-Wilk test

ShapiroResult(statistic=0.8937620520591736, pvalue=0.10982140153646469)



- Since p-value > 0.05, the residuals are not normal as per the Shapiro-Wilk test.
- Stric
- 
- tly speaking, the residuals are normal.
- However, as an approximation, we can accept this distribution as close to being normal.

#### het\_goldfeldquandt homoskedasticity test

[('F statistic', 1.2894596101069045), ('p-value', 0.3924164036775057)]

Since p-value > 0.05, we can say that the residuals are homoscedastic. So, this assumption is satisfied.

#### Indonesia model

Checking and removing multicollinearity

Checking and removing multicollinearity using Variance inflation factor (threshold of 10)

#### Table 7. VIF values showing correction of multicollinearity (the Indonesia)

Heteroskedasticity check

#### Figure 7. Fitted vs Residual plot showing absence of heteroskedasticity (Indonesia)

Absence of pattern in the plot above attests to the existence of linearity and independence of independent variables

Check for normality of the residuals using Q-Q plot

#### Figure 8. Scatter plot of ordered values versus theoretical quantiles (Indonesia)

Scatter plot of ordered values versus theoretical quantiles shows a straight line, which proves normality of residuals.

Shapiro-Wilk test for normality of residuals

ShapiroResult(statistic=0.9575621485710144, pvalue=0.7157156467437744)

Since p-value of the Shapiro test is larger than 0.05, the null hypothesis of normality of residuals is not rejected.

checking for homoscedasticity

het\_goldfeldquandt test for homoscedasticity

[('F statistic', 0.769063947524402), ('p-value', 0.5887568386382434)]

Since p-value of the test is larger than 0.05, null hypothesis of homoskedasticity cannot be rejected.

