

Decentralization and Corruption: Learning from theoretical debates and South Asian case studies

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Introduction

- Very honoured to have been invited to this conference
- The more so, as academics and their research often have a reputation of not being policy relevant
 - And secondly because I have no experience of Turkey (indeed learned more about your fascinating country in the last three hours than in my 40 years prior to that)
- I nevertheless hope to be useful to this audience by drawing for my analysis and arguments upon theoretical debates and South Asian case studies that are relevant for Turkey as well
- First, there is a plurality of theories that approach the issue of decentralization from different angles – mostly either as an extension of a theory of corruption or an extension of studies of decentralization
 - But there is no consensus on the relationship between decentralization and corruption, except perhaps that this relation is in no way simple or direct.
 - Empirical case studies confirm this complex relationship: If anything, decentralization per se does neither reduce nor augment corruption.
(Relate to previous presentations?)
 - The questions are rather
 - “under what conditions does decentralization reduce or augment corruption?” and
 - “how can corruption be curbed in a decentralized system?”
- I will try to address these questions referring to some theoretical approaches and conceptualizations of corruption.
- Thereby, I will argue that corruption needs to be conceptualized as an institutionalized network rather than an individual act of rent-seeking.
 - Furthermore, curbing corruption needs not only the formal design of diverse upward, downward and horizontal accountability mechanisms but also changes in underlying informal socio-economic and political institutions and cultures at the local level.
- Secondly, I will relate the theoretical approaches to experiences of decentralization in South Asia and particularly, the eastern Indian state of West Bengal – where I have first-hand familiarity through extensive year-long field research.
 - West Bengal now has 30-year history of political decentralization and the decentralized provision of services and development schemes.

- Some of the insights drawn from that context may therefore hold some lessons for the Turkish context where political-administrative decentralization is more recent
- But please excuse me when my references to, or remarks on, the situation in Turkey are inaccurate or miss the point. I will be very happy to be corrected.

Overview

- Before looking at theoretical debates and case study material, I will start with some methodological considerations regarding the study of corruption.
- Formal institutional design
 - Principal-agent theory / top-down monitoring by bureaucracy
 - Indonesia
 - Market for public office (Robert Wade)
 - New institutional theory / vertical and horizontal accountability structures
 - Community monitoring of the Employment Assurance Scheme in West Bengal, India
- Informal institutions, place and culture
 - Corruption networks
 - West Bengal...
 - Local political culture
 - Bangladesh
- Conclusions

Studying corruption: Methodological considerations

For a social scientist, studying corruption is very challenging

- An obvious reason is the illegality of the activity. Thus corrupt practices are disguised mostly by those who are principally engaged in them and most knowledgeable.
 - Cannot start an interview or conversation by talking about corruption.
 - Not studying corruption directly but raising issue only after a while → need to build relationships of trust
 - Entry point for our own work on corruption was decentralized governance and development rather than corruption → work on corruption was more a by-product of this larger project
- However, talk and rumours about corruption and corrupt officials was everywhere.
 - Equally significant problem of studying corruption, as allegations are sometimes made for ulterior motives – for example, to discredit political opponents; can wrongfully destroy political careers
 - One needs to be very careful to triangulate information, not least for ethical reasons
- Implication of these two points is that there is often a mismatch between visibility/perception of corruption and the actual extent of rent-seeking
 - With decentralization, corruption often becomes more visible to ordinary people (not necessarily more corruption but corruption at the local scale,

for example that of particular mayors in Turkey, may simply be more visible.

- Problem has to be considered in surveys on perception of corruption: need to survey those who are knowledgeable about corruption
 - Own research in West Bengal: asked ordinary villagers about perceptions of corruption → data was not very informative, more interesting and valid information through qualitative studies with officials who are closer to (if not involved in) corruption
- Usefulness of qualitative studies is further underlined by the fact that the way how corruption is organized and for what it is used matters as much as the extent of corruption.
 - While it is generally true that money works its way up to from the poorer to the richer, our studies in West Bengal also found an incident where diverted money from central development schemes was used by a local political party to bolster efforts of decentralized governance.
 - The way in which diverted money is used and misused has not only implications for local development and service delivery but also on the sense of citizenship and democracy more generally.

Formal Approaches: Individual Rent-Seekers, Checks and Balances

Let's now look at what I'm calling "formal approaches" to explaining corruption and finding solutions to curb it.

Principal-Agent Model of Corruption and Decentralization

First, there is the economist principal-agent theory of corruption.

- In a classic formulation related to corruption, the principal would be the state (or a senior civil servant) while the agent would be a local government officer with the task of implementing a program or delivering a service.
 - The principal needs to monitor the agent to ensure the proper execution of state programs and policies.
 - The local government officer is accountable to the superiors in the bureaucracy.
- This upward bureaucratic accountability seems to have been a focal point of discussions in Turkey after the devolution and decentralization of government.
 - The specific decentralization process and resulting division of responsibilities between central government, the provinces and the municipalities demands specific top-down monitoring and auditing systems.
 - I will not go into this with any detail as I am sure that the audience here is much better informed than me regarding the specific proposals in Turkey for new auditing and monitoring mechanisms.
- Decentralization, however, also opens the possibility of alternative forms of accountabilities, in particular downward accountability of local officials to electorate and "community"
 - Indeed, proponents of decentralization have pointed to increased accountability as one of the major rationales for this policy.

- In theory, decentralization enables local communities to check on the activities of local government officers (who are more visible than distant civil servants in the capital)
- This would lower the cost associated with monitoring.
- However, in practice the effects of local elite capture can annihilate these cost savings
 - Local elites are often able to circumvent downward accountabilities and render them ineffectual.
 - Bardhan & Mookherjee theorized that the impact of decentralization on corruption is dependent on whether elite capture is stronger at the national or at the local level.
 - Particularly in areas with traditional politics of patronage and high levels of poverty, decentralization would most likely lead to the “decentralization of corruption”

Good Governance and Civil Society

- In the recent past, development agencies in particular have stressed that these failures can be corrected through community-based organizations and NGOs forming a strong civil society that organizes the interests of local communities vis-à-vis the state
 - An empowered local civil society, then, would keep local elites and government officials in check through horizontal accountability mechanisms (will hear more about these mechanisms tomorrow pm in the first Working Group Session)

Political Economy

- Political economy approaches have, in my opinion, gone further by paying attention to the power relationships between different actors at different geographical scales
- Robert Wade, for instance, has usefully pointed out that horizontal relationships (in his case, between elected office holders and bureaucrats in south India) have increased levels of corruption, rather than reduced them.
 - He found that bureaucrats at all levels of government were ultimately accountable to elected office holders and politicians through a “market for public office”.
 - This horizontal accountability has encouraged bureaucrats to raise money from bribes in order to “pay” the politicians for transfers to desirable posts in desirable locations.
 - I don’t know whether similar local nexuses exist here in Turkey where some of the local office holders are not elected but appointed.
- Furthermore, political economy studies looked at power relationships between actors at the central and at the local level
 - Empirical studies on Brazil, Taiwan or India draw very similar conclusions in this regard; that is, decentralization is ironically effective where it is espoused by a *strong* central agency such as a national government and/or a hierarchically organized political party.

- Strong central institutions are crucial because they are able to challenge traditional local political structures and the elite capture that Bardhan & Mookherjee have identified as hindering effective decentralization.
- These studies, although they don't address corruption directly, point to the importance of an upward political accountability as an additional vertical accountability structure
- Again, it is beyond my expertise to comment on the role of Turkish political parties in this regard. However, from a cursory look at the literature it appears that the AKP is organizationally strong and committed to decentralization, which may bode well for decentralization here.

Policy implication: Formal institutional design

The policy implication of this theoretical debates is that in order to make use of the potential of decentralization to increase efficiency in service provision and reduction in corruption, a multitude of upward, downward and horizontal accountability and monitoring structures needs to be put in place so that each actor is accountable to, and kept in check by, a number of other actors (→ graph).

- This, of course, is only a general principle for a formal institutional design
- The concrete mechanisms need to be adjusted to the local context as well as the type of program or responsibility the local government is supposed to carry out.
 - I understand that this is what tomorrow's working group sessions are about: thinking about an institutional design of vertical and horizontal accountability mechanisms suitable to the situation here in Turkey.

Case Study: Community-based monitoring in West Bengal

- Example where much of this formal institutional design has been implemented
- Wage Employment and poverty alleviation scheme (EAS)
 - Central govt, but decentralized implementation through local bureaucracy and local councils
 - Labour intensive: soil conservation, afforestation, village roads, school additions
 - The program was unlikely to be of much interest to the better-off villagers
 - principal benefit was short-term, unskilled manual labor paid at the government minimum wage (of Rs. 56 or about Cdn.\$ 2)
 - Self targeting; little leakage to the non-poor in term of benefiting from employment
 - Lower anti-poor bias than in loan (subsidy) schemes
- Additionally: strong horizontal and downward accountability mechanisms designed
 - **job worker**' from the community to act as 'executing agent' for EAS projects (foreman, organizing labourers, etc.)
 - In addition, GoWB demanded formation of a '**beneficiary committee**' for each EAS project
 - to be elected in a special village meeting prior to the start of the works
 - Responsibility to monitor project implementation and check on job worker

- Also provision for public presentation of project expenditures in the statutory biannual village meeting (social audit)
- **Explain Table:** high degree of community involvement in implementation and monitoring
- The formal design of the EAS monitoring mechanisms includes a complex system of horizontal and vertical accountability structures
 - The beneficiary committee, local councillor and local government officers are supposed to check on each other and the 'job worker'
 - Each of these actors is also embedded in vertical accountability structures
 - Government officers: conventional bureaucratic checks and audits
 - Beneficiary committee: fellow villagers and neighbours
 - Local councillor: electorate (medium term) and especially political party (upward accountability)

This very same formal institutional design, however, has led to very different outcomes in terms of employment creation and corruption in different parts of West Bengal.

- Indicator: Wage payments (see table); also fewer jobs in Malda
- Indicator: Created infrastructure (problem with quality and quantity of building materials used)

These outcomes point to the crucial importance of informal institutions that are place specific.

Particularly important in this case were the underlying socioeconomic structures in the local community and the political culture and history of the places:

- Local communities: high social fragmentation in Old Malda, community tensions
 - → weak community accountability of beneficiary committees and job workers
 - Built nexus with local councillors and government officers (“corruption networks”)
- Local political culture: CPI-M has been the dominant political party in West Bengal for 30 years. Strong hierarchical organization that controls its local councillors who have thus little scope for individual rent-seeking
 - However, sway of party is not the same everywhere
 - In Old Malda, they depended on local strongmen who could bring in votes → no control over them

Informal institutions, place and culture

These results seem to confirm Bardhan & Mukherjee's: high illiteracy, high levels of poverty and traditional politics of patronage led to “decentralized corruption”

- But their principal-agent model views these underlying structures and informal institutions as fixed and unchanging
- While our research has shown that they are changing (not least through decentralization itself)
 - For example, decentralization in Old Malda was not captured by an existing elite but it fostered the emergence of a new elite of political entrepreneurs (who enriched themselves as elected councillors)

- So, there is a interplay between informal local institutions and formal accountability structures: they have the potential to change one another
- In Old Malda, the formal horizontal accountability structures even degenerated into “corruption networks” between community members, councillors and local government officers
 - The concept of “corruption networks” understands corruption as an institutionalized practice between actors rather than as individual opportunistic rent-seeking
 - Cartier-Bresson definition: ...“the organization of corruption by social networks ... prevails and enables a real institutionalization of procedures [that] turns into a political, economic and social exchange” (Cartier-Bresson, 1997: 466).
 - Found this as a more accurate conceptualization of corruption than the individual rent-seeker model: some of our respondents faced violence against them when they tried to stay outside and therefore disturb a particular “corruption network”
- Ali & Rahman argued following Bourdieu that in order to understand and improve outcomes of decentralization (including reduced corruption), one needs to dig below even the informal institutions and corruption networks to uncover underpinning understandings, beliefs and dispositions.
- Browsing through the literature on Turkey I have not found references to the interplay between formal and informal mechanism. It seems that current focus is still on formal design of accountability structures.

Policy implications

The policy implications from these informal approaches are necessarily fuzzier. Informal institutions cannot be easily designed and changed. Interventions are prone to create many unintended and unforeseeable consequences.

- Therefore, incremental interventions are called for
 - For example, in the case of WB, we have conducted action-research, informing people about government programs and rights, engaging politicians, councillors, government officials and NGOs in dialogue
- Multipronged campaigns , including media, to change underlying dispositions
- Example: Decentralized Health Care Provision in Bangladesh (Ali & Rahman 2006)
 - Training and outreach by NGOs
 - Created dense webs of relationships with local communities, health providers and traditional authorities who became protagonists of decentralized health provision
 - Local society become more susceptible to fundamental social change → stronger downward & upward accountability of health workers → reduced

absenteeism and improved quality of health provision → improved health outcomes

Concluding remarks

- Decentralization no panacea for corruption
 - Decentralization can either increase or decrease level of corruption, or not have any impact
 - Decentralization can change the form and organization of corruption (incl. decentralizing corruption)
- Horizontal as well as downward and upward accountability mechanisms are important
 - Not a priori favouring one over the other
 - Depends on type of decentralized service delivery (e.g., community monitoring only effective when clear benefit to community)
- Attention to local informal institutions necessary
- This importance of underlying *local* structures suggests that initiatives to curb corruption in Turkey's newly decentralized system will often have to be very locality specific.