

# Decentralization and Corruption

Learning from theoretical debates and  
South Asian case studies

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# Overview

- Introduction
- Studying corruption: Methodological considerations
- Formal approaches: Individual rent-seekers, checks and balances
  - Theories of corruption: Principal-agent models, good governance
  - Policy implications: Formal institutional design, horizontal & vertical accountability mechanisms
- Case Study: Community-based monitoring in West Bengal, India
- Informal approaches: Institutions, place and culture
  - Theories of corruption: Corruption networks, underlying dispositions
  - Policy implications: Changing social relationships and underlying dispositions
- Concluding Remarks

# Studying Corruption: Methodological Challenges

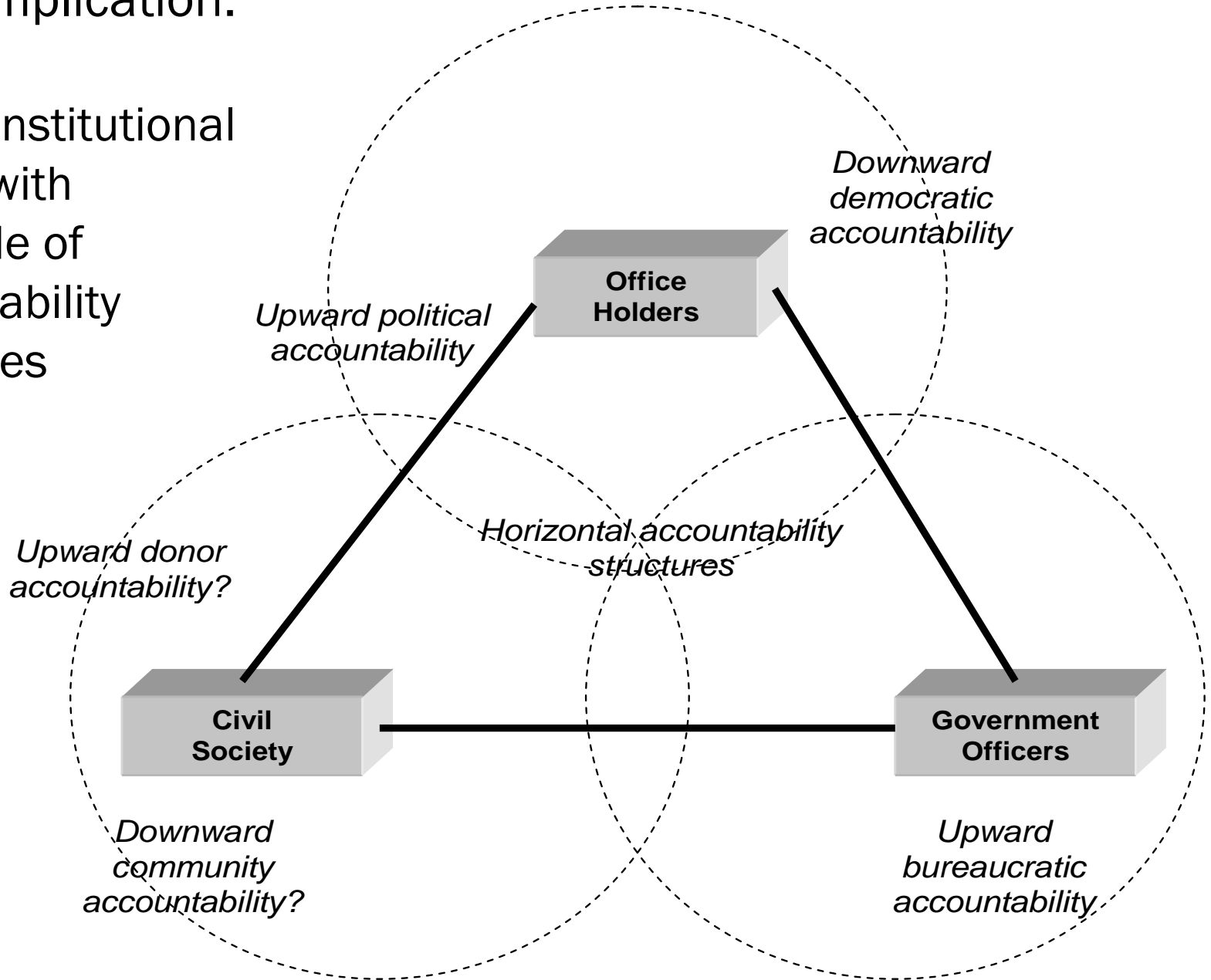
- Illegality of practice: key informants likely to disguise (own) corruption
  - Need to build trust; other entry point than corruption
- Allegations of corruption based on ulterior motives
  - Triangulation of information
- Mismatch between visibility/perceptions and actual extent of corruption
  - Quantitative surveys (how much?) and qualitative studies (how?)

# Formal Approaches: Theories

- Principal-agent models
  - State (principal) → local government officer (agent)
    - Implies upward bureaucratic accountability and demands top-down monitoring and auditing
  - Decentralization lowers “cost of monitoring”
    - Through downward political/social accountability and bottom-up monitoring (incl. “social audits”)
  - However, outcome for corruption depends on “elite capture” (Bardhan & Mookherjee 2001)
    - Tradition of patronage politics, illiteracy and poverty → higher levels of corruption & “decentralization of corruption”
- Good governance and civil society
- Political economy theories
  - Politician –bureaucrat nexus; “market for public office” (Wade 1988)
  - Effective decentralization only where strong central government or party willing and able to challenge local elites and elite capture (Tendler 1994, Evans 1994, Kohli 1987)

# Policy Implication:

Formal Institutional Design with  
Multitude of  
Accountability  
Structures



# Case Study I: Community-Based Monitoring in West Bengal, India

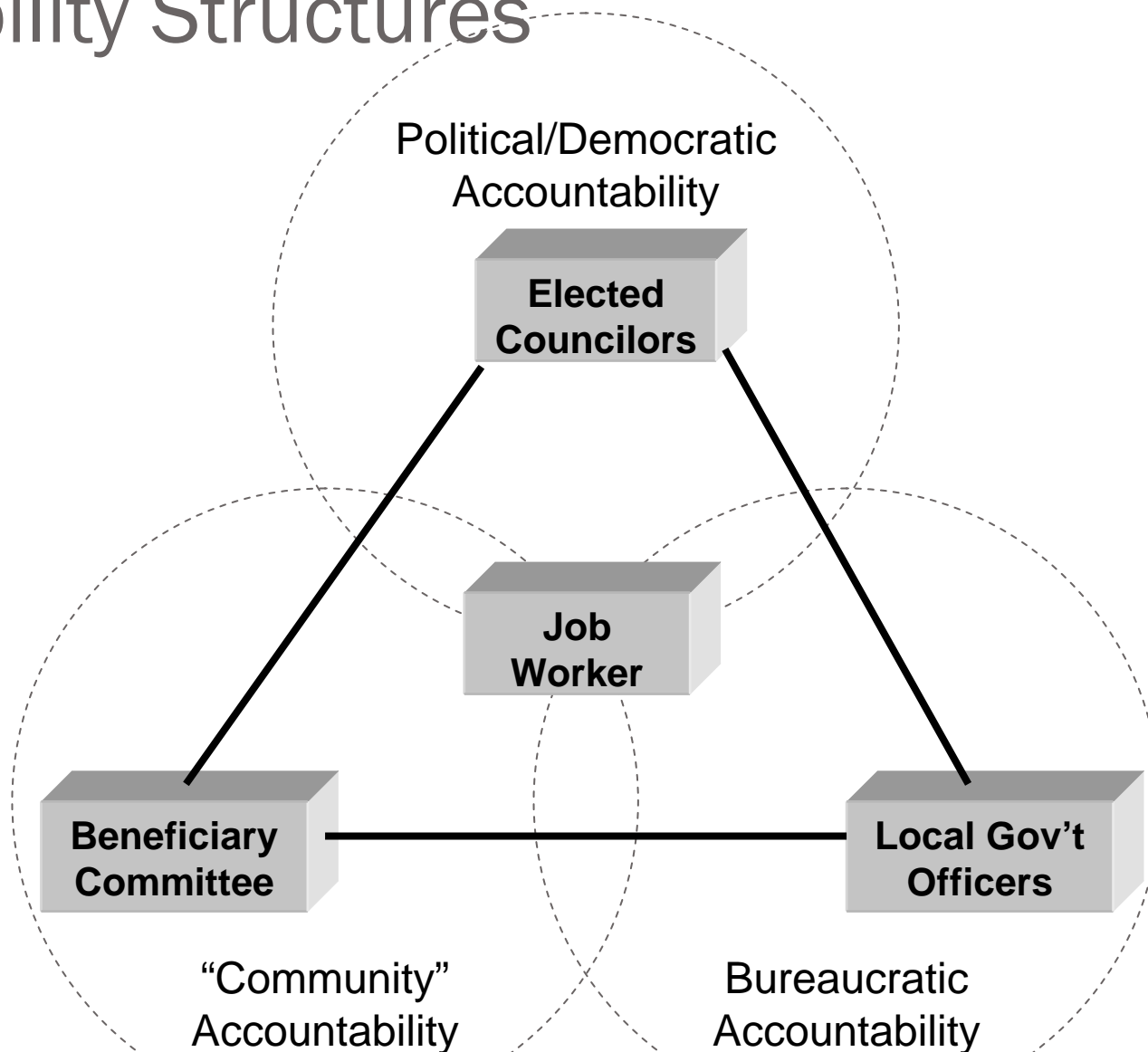
- Employment Assurance Scheme (EAS):  
Major central-government poverty-alleviation (wage employment) program implemented by local councils
  - Labour intensive
  - Soil conservation, village roads, school additions, etc.
  - Relatively low levels of leakage and anti-poor bias as little prospect for free-riding
- Community-based monitoring
  - 'Job worker' (foreman) from local community
  - 'Beneficiary committees' formed from local community
  - Social audit in biannual village meeting

# Local Monitoring of the EAS: Main Actors and Responsibilities

|   | Employment<br>Records<br>(Muster Rolls) | Material<br>Supply<br>Forms | Measurement<br>of Completed<br>Work | Completion<br>Letter | Utilization<br>Certificate |                               |
|---|---|-----------------------------|-------------------------------------|----------------------|----------------------------|-------------------------------|
| Job Worker<br>(‘foreman’)                   | P                                       | P                           |                                     |                      |                            | Civil<br>Society              |
| Beneficiary<br>Committee                    | S                                       | S                           |                                     | P + S                |                            |                               |
| Elected<br>Councilors                       | S                                       | S                           |                                     |                      |                            | Elected<br>Office-<br>holders |
| Block Council<br>Chairperson                |   |                             |                                     |                      | S                          |                               |
| Job Assistant/<br>Sub-Assistant<br>Engineer |   | P                           | P + S                               |                      |                            | Gov’t.<br>Officers            |
| Block Develop-<br>ment Officer              |   |                             |                                     |                      | P + S                      |                               |

**P = Prepare; S = Sign**

# Monitoring of the EAS: Formal Accountability Structures





# Indicator of Corruption: Underpaying Wages

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|                    | Old Malda<br>(North W-Bengal) | Debra<br>(South W-Bengal) |
|--------------------|-------------------------------|---------------------------|
| Minimum wage paid  | 26%                           | 75%                       |
| Below minimum wage | 63%                           | 0%                        |
| Paid by piece rate | 5%                            | 0%                        |
| Can't remember     | 5%                            | 25%                       |
| Total              | 99%<br>(N=19)                 | 100%<br>(N=59)            |

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Source: Village Surveys

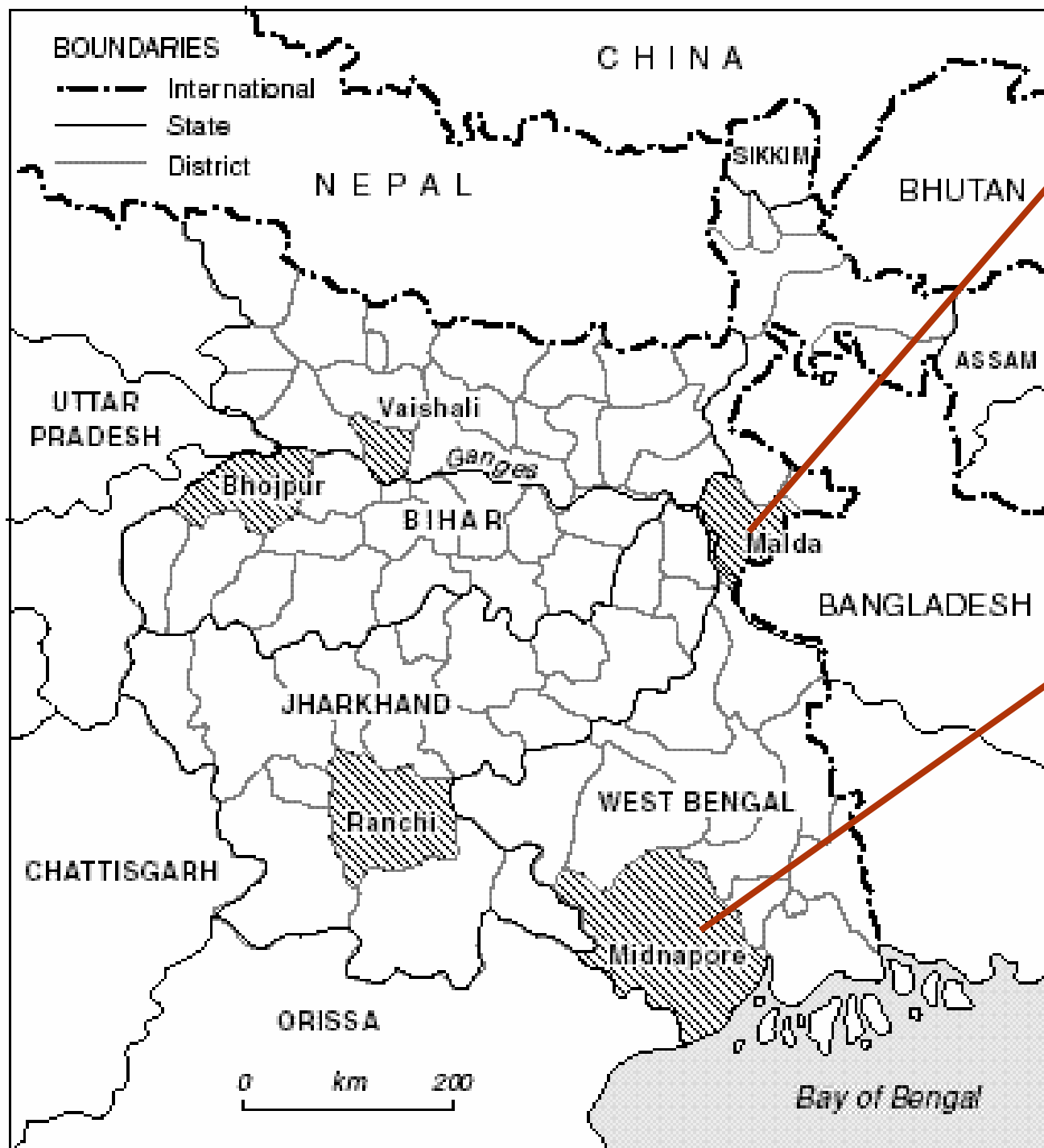
# Indicator of Corruption: Created Infrastructure



Semi-pacca road in Old Malda



Semi-pacca road in Debra



### Old Malda

- Literacy rate: 48%
- Poverty rate: 69% (32% destitute)
- Social fragmentation
- Personalized networks of patronage

### Debra

- Literacy rate: 68%
- Poverty rate: 45% (11% destitute)
- Social cohesion (at least superficially)
- Dominated by CPI-M

# Informal Approaches: Theories

- Dynamic interplay between formal accountability mechanisms and informal institutions
  - Informal institutions rework formal accountability mechanisms
  - Formal decentralization creates impetus for change of local informal institutions
- Corruption networks – corruption as an informal institution (Cartier-Bresson 1997; Véron et al. 2006)
  - “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).
- Underlying understandings, beliefs and dispositions (Bourdieu 1987, Ali & Rahman 2006)
  - Understandings & dispositions → Local accountability and incentives → Effective local service provision

# Policy Implications

- Incremental interventions
  - E.g., action research to foster dialogue between major stakeholders and to inform community
- 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
  - May or may not influence level as well as organization of corruption
- Formal design: importance of both horizontal & vertical accountability mechanisms
  - No a priori preference for horizontal, downward or upward accountability mechanism
- Importance of (local) informal institutions that interact with formal accountability mechanisms
  - Place-specific outcomes
  - Place-specific initiatives to combat corruption