

1. Decentralised governance: crafting effective democracies around the world

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For over 60 years, decentralisation has been one of the most powerful reform movements in the world, affecting all of its regions and most of its countries. This marks a major inversion of the much-longer-term global pattern, which featured centralised public administrations and the gradual march of the bureaucratic instruments of centralisation across large parts of the world over centuries (Faguet 2012). And then, unexpectedly, around the middle of the 20th century, decentralisation began sprouting everywhere. Take, for example, countries across Africa and Asia. Decolonisation bequeathed highly centralised governments to most of them, usually mirroring their previous colonial administrations. Here the backlash was especially quick, with the first decentralisations launched within a decade of independence.

What did these decentralisations achieve? The literature and policy consensus of the 1970s and 1980s were full of hope about decentralisation's potential to make government more effective and responsive to citizens. But a wave of empirical studies in the 1980s and 1990s cast doubt on its ability to meet these lofty goals. At the turn of the new millennium, evidence on the effects of four decades of decentralisation remained mixed, unclear, and for many analysts deeply frustrating.

Since then, a growing body of research has shown that decentralisation can indeed improve public sector efficiency by, in effect, bringing government closer to the people. While decentralised governments may be captured by elites or undermined by the clientelistic distribution of public resources, a broad consensus holds that – under the right conditions – decentralised systems produce more effective public services and are more democratic. But what these conditions are, and where they hold, have until now remained insufficiently understood. This volume seeks to answer those questions, identifying specific ways in which decentralisation can improve governance, and exploring also how it can go wrong.

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In this volume we bring together a new generation of studies that blend theoretical nuance with empirical innovation. We begin by taking stock of 50 years of decentralisation studies, arguing that – done correctly – decentralisation can improve the democratic accountability and responsiveness of governments by changing the incentives local officials face. We examine how reforms have fallen short of initial expectations due to problems of corruption, elite capture, and political clientelism that can severely distort decentralised governance. We provide fresh evidence from around the world, including Bangladesh, China, Colombia, Ghana, India, Indonesia, Kenya, and Pakistan, highlighting the pros and cons of decentralisation under both democratic and autocratic regimes, providing examples of good and bad practice in both, and drawing lessons for future reforms. Throughout, our goal is to understand in detail, with strong micro foundations, how decentralisation operates differently under different regimes and across a variety of institutional and social contexts.

We document evidence of declining barriers to entry for local political leaders and rising political contestation and improving quality of candidates. We show the emerging role of local entrepreneurship in resolving collective action problems in ethnically diverse societies, leading to greater democratisation and higher local development. These changes are being aided by broader changes in local polities, such as norms governing local public service delivery and improving public transparency and monitoring, aided by complementary reforms such as birth registration cards, citizen-based data systems, and decentralised administration and funding arrangements that create checks and balances for local government officials and limit the scope of corruption. And we explore how some 21st-century reforms to decentralised government use advances in information technology to dramatically reduce costs and enhance welfare provision by tackling corruption, elite capture, and clientelism.

The book's chapters consist of some thematic, critical surveys of recent advances in the decentralisation literature, combined with a larger number of cutting-edge studies of decentralisation in action. The authors are a combination of some of the most influential thinkers in the field with early-career scholars, many themselves from developing countries, employing the latest evidence and methods to explore these complex issues analytically with a blend of qualitative and quantitative data.

We hope the resulting book will prove a worthy update of Bardhan and Mookherjee's influential 2006 volume, which set down an important marker for the field at the turn of the new millennium. Much has happened since then in the world of decentralisation. A great deal of high-quality, fine-grained data has become available during the last two decades, along with more sophisticated empirical methods, that previous generations of researchers did not have access to. And there have, of course, been many additional experiments in reform.

The confluence of these factors implies: (i) a need for a new core reference in this field, and (ii) a significant opportunity to evaluate where and why decentralisation has worked better, and where worse, with better evidence. The current climate of increasing geopolitical conflict and democratic failure in the post-globalisation years also makes the volume a timely venture. As citizens, not just academics, we need to find ways to make the politics of decentralised governance function better. Our hope is that this volume can help generate positive externalities that nurture federalism and deepen democracy.

The remainder of this chapter is developed as follows. Section 1.1 provides an overview of 50 years of decentralisation studies, highlighting both the positive and negative potentials of reform. Section 1.2 discusses the interactions between decentralisation reform and politics at both local and national levels, including the ramifications of decentralisation for political transition that have until now been poorly understood. Section 1.3 discusses decentralisation as ‘mechanism design’, focusing on non-political aspects of service provision in a decentralised context, such as tax and transfer systems, anti-corruption monitoring, and big data approaches to targeting, as well as how to measure local government performance. Section 1.4 looks to the future of the field.

1.1 Fifty years of decentralisation studies

In Chapter 2, Jean-Paul Faguet provides a broad survey of 50 years of decentralisation studies. In the aggregate, the results of these studies are contradictory, confusing, and indeed sometimes confused. Faguet employs three tools to bring order to the evidence:

- A clear, restrictive definition of decentralisation that excludes many parallel reforms that are often clumped under the same rubric but which are analytically distinct in incentive terms; he suggests ‘democratic devolution’ but the larger point is that research should specify a clear definition and employ it consistently.
- Weighting empirical evidence in terms of its quality (empirical identification) and comparing results that are like-for-like.
- Admitting that any sincere decentralisation will generate a heterogeneity of responses that, in any particular dimension, differ from one another as much as the underlying socio-geographic units (districts, provinces) do. Accepting this from the outset allows us to exploit that heterogeneity to ask better questions that probe why some decentralised units perform better than others. This, in turn, sheds light on how entire decentralised systems may be pulled up towards better outcomes.

This last point, in particular, is tied to a wealth of conceptual and methodological insights that we are only beginning to fully comprehend. The questions

that we have asked over five decades have very often taken the form ‘Is decentralisation good or bad for X?’, where X is a diverse array of important policy outputs or outcomes, such as primary school enrolment rates, the unit costs of infrastructure provision, or corruption. Studies have, in effect, approached decentralisation as if it were a technocratic issue. They have treated the specifics of reform design, the many, many decisions about how to unpick centralised public services and decentralise which components to what levels – in other words, where expenditure, taxation, and rule-making powers should ultimately lie – as if they were given, choosing instead to compare across countries to identify ‘the effects of decentralisation’.

This approach was always more of a methodological convenience than a theoretical precept – something researchers fell into rather than asserted on principle. But it coloured the results of the empirical literature all the same, affecting what questions were asked and how studies were structured. It is only more recently that researchers have begun to internalise the idea that both the decision to decentralise and also the many decisions that follow about *how* to decentralise precisely *which* state functions are not fundamentally technocratic issues. They are, rather, political issues everywhere and all the time. As Faguet (2019) and Faguet and Shami (2021) have shown, decisions to decentralise are taken by leaders in service to the political advantages they seek, and implemented – or not – by officials whose power and status will be directly affected by the outcome of reforms. Even if such a decision were taken on technocratic grounds, it would have powerful political effects, as Devarajan and Khemani argue in Chapter 4, providing politicians with high-power incentives to try to steer reform in directions beneficial to them.

1.2 Politics

‘Done correctly,’ Faguet points out, ‘decentralisation can improve the democratic accountability and responsiveness of governments by changing the incentives that local officials face’ (Chapter 2). Reform reorients officials’ incentives from upward-pointing, towards the central administration, to downwards-pointing, towards local voters. This is one of the simplest but most powerful features of a sincere democratic devolution, which will ultimately affect not only local but also national public goods, as well as the responsiveness and accountability of the state writ large.

Done correctly, decentralisation should also lead to local governments better attuned to local economic conditions (Khan et al. 2014; Khan, Faguet, and Ambel 2017). The policies they implement should spur public sector efficiency in ways that boost economic growth. Perhaps less obviously, Faguet argues, the creation of multiple levels of government can be leveraged by different social groups and minorities to defend their interests against an encroaching majority. This can help stitch a country together more tightly from the bottom up, draining wind from the sails of leaders who preach secession, and

decreasing the risks of conflict and civil war in diverse developing countries. Indeed, the simple fact of creating multiple layers of government helps end the winner-takes-all problem inherent in centralisation that can, by itself, destabilise a country.

But this 'done correctly' hides far more than it reveals. Countries have chosen to decentralise in very different ways, devolving, for example, different sets of powers over different public services to different levels of subnational government, with different revenue-raising powers and different degrees of subnational democracy. Consider, just as an illustration, three neighbouring South American countries between the 1970s and 1990s. In the 1980s, Chile's military regime decentralised to unelected regions, provinces, and municipalities, all headed by appointed officials who responded to the military government and, ultimately, to General Pinochet himself. Essential services were extensively privatised, and municipal governments in particular became much more 'service delivery agents' than sites of governance where citizens were represented and public priorities were debated and agreed.

A decade later, Bolivia decentralised a range of primary public services to elected municipal governments, largely bypassing departments. The reform prioritised participation and citizens responded enthusiastically, voting in far greater numbers than ever and even defending decentralisation in pitched street battles when a subsequent government tried to reverse it. By contrast, 20 years earlier, Brazil's *de facto* regime had decentralised significant resources and authority to states, largely ignoring municipalities. But it permitted subnational elections, and so national authoritarianism coexisted with significant subnational democracy. These examples are only three of many that we might choose. They underline that decentralisation is not 'a reform' but rather a highly heterogeneous class of reforms. The ways in which we study decentralisation should seek not to iron out such differences but rather exploit them in the interest of greater understanding.

Devarajan and Khemani take this on frontally in their chapter (Chapter 4). They begin their analysis with the original Musgrave (1959) and Oates (1972) arguments in favour of decentralisation based on the economic efficiency of the subsidiarity principle, and the superior matching between local policies and preferences that decentralisation permits. But, as noted above, empirical tests of these ideas over the decades have proved mixed and disappointing. This is where their contribution begins. They argue that empirical disappointment stems from the failure of the Musgrave–Oates principles to incorporate the essentially political nature of decentralisation into its analysis. (The same failure lies at the heart of the methodological issues that Faguet seeks to correct with his three tools.)

This leads Devarajan and Khemani to the striking assertion that most decentralisations are partial. Not only are they not full expressions of some similar underlying, common blueprint; they are not even full expressions of the diverse blueprints that national reformers publicly declare or write into law. It is common, for example, for political decentralisation to advance much

faster and further than fiscal decentralisation. The reasons for this are that the prevailing political incentives that govern the behaviour of bureaucrats and public sector officials vary enormously across countries and time periods. As the design of decentralisation is an inherently political act, different national reforms will tend to deviate from economic efficiency in very different ways. Hence, most decentralisations are incomplete in the sense that economic theory would predict, and often feature large mismatches between devolved responsibilities and accountability. These partial decentralisations nonetheless represent equilibria that balance competing political forces, making it difficult to tinker at the margins with a decentralisation that is settled – for example with the allocation of powers or resources.

But, if politics is problematic for empirical studies of decentralisation, it also provides strong grounds for hope in our real-world experiments. Devarajan and Khemani argue that increased contestation in local elections, alongside other characteristics of local democracy, could well lead to improved service delivery. This is because political decentralisation has often led to more, and better, people becoming involved in local politics. It has shone a brighter light on issues of local governance, focusing citizens' attention there and bringing more information into the public realm. As a result, citizens are more aware of local corruption and better able and willing to judge officials' performance more generally. This has the potential to shift social norms about public service so that bureaucracies improve their performance and strengthen the legitimacy of government as a whole. They describe a mechanism for achieving precisely such outcomes, illustrated with the Brazilian state of Ceará, and conclude with a positive view of decentralisation's prospects for realising its original promise. They close with a recommendation to approach decentralisation as a mechanism design problem geared towards improving public services and strengthening state legitimacy.

Mookherjee probes further into the political distortions that often attend decentralised service provision. His wide-ranging chapter (Chapter 3) reviews a wealth of recent studies of transfer programmes in developing countries, reassessing the effectiveness of decentralised mechanisms in improving public sector accountability, programme effectiveness, and helping to meet a number of programme-specific goals. Three key problems of decentralised governance that he focuses on are elite capture, corruption, and clientelism. 'Elites' can be tribal chiefs, large landowners or businessmen, or religious leaders, to name only a few classic examples. Recent literature shows widespread capture of local governments by elites in developing countries, especially where elites are powerful. It is underpinned, at least in part, by the high levels of trust that villagers place in their patrons. The latter may be a survival strategy among poor people who intermittently face times of need that are both unpredictable and potentially severe.

Another distortion widespread in developing countries is clientelism. Although often grouped alongside elite capture, Mookherjee shows that this is an analytically distinct phenomenon with interestingly different implications

for development. First, and unlike capture or corruption, clientelism is often consistent with pro-poor targeting. This is because politicians focus clientelistic benefits on the poor, who value them more highly than better-off voters and hence are cheaper to 'buy off'. Second, clientelism may not require high levels of social or economic inequality within the community but it does operate better where there are high levels of poverty. The studies Mookherjee reviews identify two big empirical effects: (i) clientelism undermines accountability, as voters are tied to patrons regardless of their public policy performance; and (ii) clientelism biases politicians towards private benefits, which are more susceptible to its logic, over public benefits, which, being non-excludable, are not. In addition to such intra-community distortions, Mookherjee also examines *inter*-community targeting distortions, resulting from the opportunistic manipulations of programme budgets across local governments by high-level officials. Most studies show evidence of bias towards co-partisans, such as Azulai (2017), who shows central government favouritism in grant allocation towards own-party controlled local governments in Brazil.

Probing deeper into how decentralisation interacts with political systems, our colleagues turn to detailed country studies of Pakistan, China, Indonesia, and Kenya. In Chapter 5, Malik, Mirza, and Platteau argue that institutional changes under General Zia's regime stimulated the return of family politics in Pakistan. Zia's aim was to stabilise his *de facto* regime by co-opting powerful families and the religious elite, and to undermine his most powerful political opponents. The family- and clan-based politics he nurtured grew in importance until it displaced the programmatic politics that had begun to develop in the late 1960s around the Pakistan's People's Party. As a result, powerful political dynasties became consolidated, effectively killing off party-based politics in Pakistan. The authors use a unique and extensive database on political genealogies in the Punjab province to provide evidence for the emergence and persistence of political dynasties over time. They also show increasing political competition via the splitting of political dynasties over generations. Malik, Mirza, and Platteau argue that the increasing importance of political dynasties at the subnational level has contributed to the capture of local bureaucracy by elected politicians, thus entrenching clientelism for the long term. More broadly, the Pakistan case richly illustrates how authoritarian regimes often direct the course of electoral politics in ways that allow them to concentrate and consolidate power. Indeed, doing so may be a primary motive for decentralising in the first place.

Martinez-Bravo, Padró i Miquel, Qian, and Yao examine the impact of voters' religious heterogeneity on public spending and public goods provision in China in Chapter 6. By creating millions of elected subnational governments over the past 50 years, decentralisation has dramatically increased the number of electoral polities across the world. Perhaps the single most dramatic increase is China's, where the introduction of village elections created nearly 700,000 new electoral democracies within an otherwise authoritarian system. The chapter exploits variation in this huge experiment to explore the thorny

question of the social preconditions required for democracy to prosper. They do this by examining how the introduction of village elections in China interacts with voter fragmentation in determining the allocation of government-provided public goods. One of the chapter's most provocative points is to document the return of religion as an important dimension of social identity and group clustering in post-Mao China, overtaking other divisions such as kinship groups.

Faced with corruption, unresponsive local officials, and the severe under-provision of public goods across large areas of rural China, the Communist Party introduced village elections in the 1980s and 1990s as a structural remedy to the previous system of central appointment of village leadership. Prior to the introduction of elections, local expenditures on public goods were similar across villages with very different levels of social fragmentation. Elections increased public expenditure, and increases were largest in the most homogeneous villages. But, in the 8 per cent of highly heterogeneous villages, public goods expenditure decreased. The authors further show that changes in public expenditures occurred exclusively for village-raised funds; public goods funded by transfers from higher levels of government were unaffected by the introduction of elections. These results imply that the factors causing heterogeneous villages to experience lower (or even negative) gains from elections are locally specific. Martinez-Bravo, Padró i Miquel, Qian, and Yao infer two possible, non-mutually-exclusive mechanisms: (i) heterogeneous villages have a lower preference for public goods, and elected village leaders better reflect these underlying preferences; and (ii) homogeneous villages are better able to hold elected leaders to account, perhaps through more effective monitoring.

If decentralisation can change a country's national political dynamics so comprehensively, surely it will have significant effects at the local level too. What might these be? The rich literature on fiscal decentralisation is surprisingly silent about its ramifications on the organisation of local governance. Mitra and Pal provide a way in, focusing their Chapter 7 on the impact of fiscal decentralisation on local-level leadership selection. The authors exploit exogenous variation in local polities after Indonesia's fiscal decentralisation in 2001, which offered enhanced autonomy to local communities (which sit within districts). Using fine-grained survey data on methods of leader selection in local communities, Mitra and Pal observe three distinct methods of leader selection in Indonesian localities: majority voting (that is, electoral democracy), consensus-building (that is, deliberative, participatory democracy), and oligarchy (that is, leaders selected by the local elite).

Surely the method of leader selection is important in terms of policy implementation and the provision of local public goods and services at the local level, especially in a fiscally decentralised setting. Whether the leader of a community reflects the preferences of the entire populace or is only sensitive to the needs of a select few (that is, the local elite) will determine the pattern of local public spending, and thereby social welfare in the community. This

underlines the need for a fuller understanding of the factors that affect the method of a community's leader selection.

Mitra and Pal document that different governance types are associated with different patterns of budget allocations, as well as significant differences in local income and spending following fiscal decentralisation. More interestingly, the authors show that community homogeneity is a key driver of leader selection by consensus-building. By contrast, ethnically diverse communities have increasingly selected their leaders via voting.

Furthermore, voting (relative to consensus-building) communities registered significantly higher income and higher development spending after decentralisation, which Mitra and Pal attribute to higher levels of local entrepreneurship. The issue of elite capture is likely to be particularly problematic in ethnically diverse communities (Mitra and Pal 2021), highlighting a trade-off between gains from decentralisation and losses from elite capture. Local social norms may, however, help promote community reciprocity that can help align policy to community preferences (Pal and Wahhaj 2017). The chapter departs from this literature to show that local political entrepreneurs use voting to align economic interests in ethnically diverse communities, helping them overcome some of the collective action problems otherwise natural to heterogeneous polities. This mechanism, they show, works better when income inequality is modest.

Lastly, and in the spirit of 'complexifying' the state, Mbate's Chapter 8 links local-level corruption in Kenya back up to national-level dynamics to show how their interaction can sometimes strengthen, and other times weaken, local governance. He begins with Kenya's accountability deficit, examining how parliamentary oversight mechanisms meant to hold local executives to account often fail. A critical factor contributing to weak oversight is poor coordination between parliament and subnational government institutions. Mbate uses administrative data that directly match parliamentary sanctions with incidences of subnational corruption to demonstrate how party politics can impede the legislative oversight of local politicians. His results show that co-partisanship and the need to preserve party credibility encourage collusive behaviour between parliamentarians serving in oversight committees and subnational politicians in ways that weaken parliamentary oversight. But this effect declines substantially when committee members face an electoral threat or similar long-term career concern. These findings suggest that the accountability of local-level officials far from the capital is strongly influenced by the structure and composition of legislative committees, as well as the nature of political incentives that legislators face. This points to the importance of micro design of a decentralised system. To work effectively, accountability and anti-corruption mechanisms must fit not just the legislative institutions that oversee and implement them but also a nation's political party system. The larger lesson is that local governments in a decentralised system cannot be viewed in isolation. Even in a highly decentralised country, they remain part of a larger system whose workings can powerfully affect even far-flung localities.

1.3 Mechanism design

The second overarching theme of this book concerns more technocratic, non-political aspects of effective service provision in a decentralised context. There is a great deal involved in successful governance beyond elections and politicians' incentives. Creating an effective decentralised system implies adapting structures, rules, norms, and behaviours to new actors and dynamics that a centralised system may not have contemplated. Using Devarajan and Khemani's terms, we might think of this as mechanism design.

Again, Chapter 2 by Faguet lays out the basics, summarising the insights of five decades of research on this aspect. The fiscal federalist literature teaches us that efficiency can be improved when we devolve to lower levels of government services that are heterogeneous in demand, geographically specific, have low economies of scale, and are reliant on local information. How low should the services go? Each level of government should be responsible for all services and expenditures that do not impose externalities on other jurisdictions. Devolved services can then be tailored to the preferences of local citizens.

How should such services be funded? Local taxes and other charges should be neutral and should not distort economic activity, and their costs and benefits should be transparent to citizens. Tax incidence should be equitable across taxpayers. Local taxes should focus on immobile tax bases. And the administration and compliance costs of such systems should be low. These guidelines imply that property taxes and specific user charges are best suited to local governments, whereas taxes that are complex or levied on mobile tax bases, such as income and capital taxes, should be assigned to higher-level authorities.

The combination of large expenditure needs with limited taxation possibilities means that locally generated revenues will typically fall far short of requirements. Intergovernmental transfer systems arise to fill these (large) gaps, and also to pursue other policy goals. Revenue is shared among different levels of government in two broad ways: (i) by formula (for example, per capita) or according to origin (for example, natural resource royalties); and (ii) targeted to specific priorities (for example, primary education), or untargeted (for example, block grants). The precise mix of revenue-sharing mechanisms will vary greatly across countries as according to their economies, geographies, histories, and other major characteristics. But, in the real world, a great deal of such variation is not easily explained. The share of intergovernmental transfers in local government revenues varies remarkably among countries in the same region, or at similar levels of development.

The second half of Mookherjee's Chapter 3 takes up the baton with extensive evidence from a series of recent innovative policy experiments to improve monitoring and supervision, and devise institutional alternatives to political decentralisation that achieve some of the same outcomes, such as formula-bound programmes that reduce the authority of locally elected officials. In India, for example, the use of biometric identification cards to verify employment beneficiaries reduced programme leakages from 'ghost' beneficiaries by

41 per cent. Beneficiaries were paid more quickly and reported earnings rose 24 per cent while programme costs did not change. And, in many countries, community-driven development (CDD) programmes have been supported by the World Bank and other donors. These seek to involve beneficiaries, including the poor, in the definition of priorities and administration of programme benefits. But such programmes also tend to suffer from elite capture, as local elites frequently gain effective control over funds and decision-making. In a number of cases, non-elite citizens have been hired as monitors to help screen potential beneficiaries, and programme management has been contracted out to NGOs or private firms as remedies. But both sets of measures are understudied, and so their empirical effects on CDD programmes are poorly understood. Mookherjee notes that more research is needed.

Lastly, Mookherjee infers from a suite of studies a feasible set of 21st-century reforms to decentralised government that would use advances in information technology to drastically alter welfare provision. We might call these reforms 'anti-political' as they would replace elected local officials' discretion in the making of policy and administration of public resources with a formula-based system of private benefits. A big data approach would predict the level of poverty of each household or individual in a country on the basis of administrative surveys. The benefits programme would be implemented using a nationwide household or individual-level ID system with biometric identification, combined with electronic transfers to low-cost bank accounts or mobile phones. Mookherjee predicts that such a system has the potential to improve pro-poor targeting significantly at relatively low cost, and suggests it might greatly reduce losses and distortions due to capture, corruption, and inefficiency. But any such programme would first have to solve important economic, administrative, and informational problems. It would also, in effect, recentralise public expenditures, something that must be taken into account before a reform is embarked upon.

Over the past few decades, corruption has taken centre stage as a core problem of development. But how anti-corruption efforts, which have also become commonplace, interact with decentralised governance is little studied and little understood. The positive role of decentralisation in draining the swamp of corruption is largely assumed from first-order theorising about politicians' incentives, along the lines laid out in Chapter 2. Put simply, it is unlikely that decentralised monitoring of corruption is universally superior to the centralised sort. Rather, decentralised efforts are likely better for certain kinds of services, or under certain conditions. What are they?

Afridi, Dhillon, Roy Chaudhuri, and Kaur seek to bring deeper understanding to this debate in Chapter 9 by linking the effectiveness of centralised versus decentralised anti-corruption monitoring to the activities being monitored. They first develop a theoretical model, and then use it as a lens through which to survey the rather diverse empirical literature. The model shows that centralised audits are more effective in certain types of activities, for example procurement, where detailed documentation exists and corruption can

be more clearly defined as distinct from mismanagement. Decentralised or community monitoring has higher efficacy when collective action problems can be solved, when monitoring teams have a sense of agency, and when the composition of teams is more homogeneous.

Community monitoring has the advantage of agents' deeper knowledge of local conditions, making it less costly for the government to target monitoring resources better, but may suffer from problems of elite capture. Afridi et al. use their model to identify conditions of relative efficacy of centralised versus decentralised monitoring strategies. The empirical literature that they then survey examines heterogeneous countries, heterogeneous institutions (formal and informal), and heterogeneous political systems. The evidence implies that both centralised and decentralised anti-corruption interventions are successful in some instances but fail in others. Programmatic and institutional details appear to matter a great deal. Failure is likely to reflect the composition of local institutions as well as the nature of political competition.

An ideal tool for combating corruption and enhancing accountability would require analysts to measure local government performance across a developing country. In Chapter 10, Chachu, Danquah, and Gisselquist develop such a tool and then test it on the case of Ghana. Basing their work on Putnam, Leonardi, and Nanetti's (1994) good governance framework, they sketch out an idealised tool that captures three key dimensions of good governance: policy pronouncement, political processes and internal operations, and policy implementation. But a lack of available information leaves them unable to implement this tool for Ghana. So they resort to a second-best approach that combines a weighted quality-of-reporting measure with data on political processes and internal operations, and policy implementation to construct a composite index for local government performance. Implementing the tool reveals large variations in both the nature of local governance across regions of Ghana, and the quality of information reported. The authors conclude that some local governments, especially urban ones, tend to perform better than rural ones. More importantly, they find an inverse relationship between poverty and the quality of reporting across regions. The latter underlines the importance of transparency and disclosure rules for generating the information that supports effective local governance.

Local information is surely key to the success of local monitoring, governance, and accountability. The question of how to produce and manage high-quality information on developing-country citizens lies at the heart of Shonchoy and Wahhaj's Chapter 11. They focus on recent initiatives to create digital birth records and increase registrations in Bangladesh. The absence of systematic birth records can be a serious impediment for implementing public policies related to children, such as monitoring truancy or restricting the minimum age of marriage. The authors document how the Bangladeshi government has instituted local, government-run digital centres linked to a national database, and promoted registrations by making birth certificates a

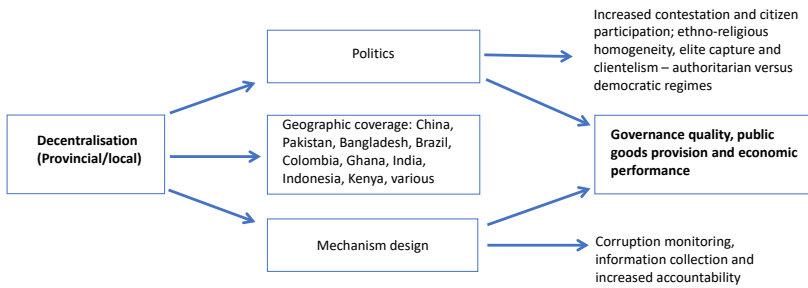
requirement for receiving key public services, for example school enrolment and marriage registration.

Using first-hand data collected from a rural district in Bangladesh, Shonchoy and Wahhaj document the problem of birth certificate validity among a very poor population. Discrepancies in local governments' ability to produce valid birth certificates range from 39 per cent to 67 per cent across five local authorities within a single district in Bangladesh. The authors provide suggestive evidence that this is due to limited local administrative capacity to register births. This pertains, among others, to lack of education and awareness within the union parishad leadership, lack of experience registering births among union digital centre (UDC) staff, corruption and nepotism leading to inappropriate equipment for registering births in the UDC and unqualified persons being assigned to UDCs, and unrealistic targets set by the Bangladesh government to process birth registrations within a set time frame without sufficient investment in capacity-building.

The last chapter (Chapter 12) brings together our two overarching themes in a single case, Colombia, in an empirically rich study of a decentralisation reform that granted almost complete autonomy over education to some municipalities while placing others under the authority of higher-level administrations. Chegwin, Munevar, and Sánchez explore the natural experiment created by Colombia's 2001 law, which 'certified' municipalities above the arbitrary threshold of 100,000 inhabitants and granted them significant additional resources and authority over policy and expenditures, while removing resources and authority from non-certified municipalities and allowing departmental administrations to direct their policies and expenditure priorities. This permits a direct comparison of decentralised (treated) versus centralised (control) municipalities. The authors find that autonomy in the delivery of public education increased student enrolment, teacher quality, and student performance in certified municipalities after 2001.

By what mechanisms did these changes come about? Chegwin et al.'s evidence suggests that better student outcomes were due less to the quantity of education resources that decentralised municipalities managed and more to the superior ways in which resources were used, which generated significant efficiency gains in certified municipalities. Such gains may flow from their lower transaction costs of matching local preferences with educational interventions. In the intellectual battle between local politics and centralising technocracy, the Colombian case supports empowering local democracy over higher-level priorities and administrative control.

Finally, readers may find it helpful to consider how the remaining chapters across Parts 1 and 2 vary in their coverage of regions and governing regime types. Figure 1.1 summarises the chapters' main analytical themes, whether they focus on liberal democracies, authoritarian systems, or both, and their country and regional coverage. They sum to a book that covers a wide variety of developing countries, ranging from open democracies to closed dictatorships,

Figure 1.1: A synoptic overview of the book

across Africa, Asia and Latin America, with deep, rich analyses of some of the most challenging country cases in the developing world.

1.4 Scope for future research

While we believe that the chapters included in the volume make substantial contributions to the success/failure of decentralised governance, these studies also raise further questions still to be answered. Here we list some of these issues.

Devarajan and Khemani observe that we know little about whether decentralisation has strengthened the legitimacy of government as a whole and shifted social norms so that bureaucracies perform better. Can local-level politics shape incentives and norms in a community? Such changes are not guaranteed and more research is needed in this respect. While Malik et al. establish an intriguing descriptive association between local decentralisation, the rise of family dynasty, and capture of local bureaucracy under military rule in Pakistan, further research is needed to establish the underlying causality. Mitra and Pal have shown how fiscal decentralisation in Indonesia may give rise to local entrepreneurship in ethnically diverse voting communities in a bid to align the economic interests of diverse populations. The observed empirical associations, while robust, are not strictly causal. While showing that religious heterogeneity could constrain the potential benefits of local election reforms for public goods provision (after a period of severe under-provision of public goods) in authoritarian China, Padro et al. do not take account of the demand for local public goods provision. The latter is, however, essential for welfare assessments of public goods provision. These results are taken as a springboard for further careful exploration of these associations, which are at the heart of such transitions after varying decentralisation reforms in democratic and authoritarian regimes.

Mookherjee (Chapter 3) analyses a set of 21st-century reforms to decentralised government that use advances in information technology to drastically alter welfare provision. While these reforms, using a household-/individual-level ID system with biometric identification along with electronic transfers

to low-cost bank accounts, have shown potential to significantly improve pro-poor targeting at relatively low cost (reduced corruption and inefficiencies), concerns remain about the likelihood of recentralisation changing the balance of power between central, regional, and local governments. The trade-off between successful technology-driven welfare provision and recentralisation needs to be understood better.

There is a general consensus that corruption is a persistent problem in decentralised systems. Reviewing the existing literature, Afridi et al. note that decentralised monitoring of corruption is unlikely to be universally superior to centralised monitoring. Our knowledge remains quite limited in this respect. Understanding the conditions and processes by which top-down audits work well and those under which social audits (ensuring representation, voice and impact) work well is thus a first-order question. The literature on the efficacy of audits in relation to punishments is sparse; we also know little as to which types of processes are more suitable for top-down audits. To a large extent the state of this literature is a reflection of the lack of available information about the monitoring process.

The essential role of information in securing transparency and accountability is further highlighted in a number of subsequent chapters. While parliamentary scrutiny can discipline lower-level governance despite having scope for political opportunism (Mbate's Chapter 8), public information on the functioning of the oversight committee that can provide insights into their effectiveness and capacity remains limited. Chachu et al. highlight the role of social capital for promoting public sector efficiency in a decentralised set-up that has roots in Putnam's work (Putnam, Leonardi, and Nanetti 1994), which, however, could not be implemented because of lack of information in this respect. Shonchoy and Wahhaj further highlight the limitations in local capacity in registering births and also the reliability of existing birth records, which is an essential ingredient for improving state capacity to deliver a range of public services to citizens. At a minimum, decentralised governments should be encouraged and supported to provide disaggregated local data and timely reports on various monitoring processes to ensure transparency and accountability of decentralised local governments. Access to such information is integral for ensuring the effectiveness of public service provision; this could also provide voters with critical information to hold local politicians accountable, thus securing the health of local democracies.

Conclusions

Decentralisation, both fiscal and political, has long been advocated as a powerful tool of good governance that devolves political and/or fiscal powers to local governing bodies. But a long list of arguments invites caution and suggests that, even if reform increases the accountability of local governments and strengthens the voices of the poor and marginalised, it may also enhance

the influence of local elites, breed clientelism, and increase corruption, thus distorting governance and development. What knowledge can we distil from such contradiction? How do we untie this conceptual knot?

One of the overarching themes of this book is that for too long, too much of the decentralisation debate has been cast in the wrong terms. Correct questions do not take the form 'Is decentralisation good or bad for X?' where X is some policy output or outcome of interest. This is because decentralisation is not a simple change, like flipping a policy switch, with results that are linear, discrete, and predictable. It is, rather, a complicated process by which the centre lets go of power and resources in favour of autonomous subnational governments that are as diverse as the underlying societies they represent. For this reason, decentralisation does not 'do' any particular thing; it does a great many things. It does a great many different things in the same policy space, with often strikingly different outcomes in different municipalities and regions – in the same country, under the same decentralisation programme. That should surprise no one. In a powerful sense, this is what decentralisation is for. We decentralise to get more heterogeneity. Those hoping for a step change in homogeneous outcomes have picked the wrong reform.

It follows that the right way to think about a complex, multi-layered reform like decentralisation is not via first-order theorising. Decentralisation is a complicated set of changes in a country's governance arrangements. It can be implemented in many different ways. Reformers face a daunting set of choices as they design and execute real decentralisation programmes. These 'details' are not only not trivial; they are crucial if a decentralisation programme is to fit a country's needs and challenges. Getting decentralisation right is difficult, but also immensely valuable because it can improve the quality of a country's governance.

How do we 'get decentralisation right'? Not via simple decision rules or dramatic measures. The way to get it right, rather, is through a combination of political and technocratic measures that work with the grain of national and subnational political incentives, and combine old and new technologies to bring relevant information before citizens and public servants in support of high-quality public decisions and more public accountability to citizens. The chapters in this book shine a number of lights on how to do this. They answer questions about when and why decentralisation works across the globe under very different circumstances, what it can achieve when it works, and when and why it does not, with a particular focus on recent policy reforms.

Two key features are noteworthy. First, interactions between decentralisation and politics were acknowledged from the start in the 1960s, but until recently mostly ignored. This is a vastly under-researched area that several of our chapters attempt to bring light to. Contributors document evidence of declining barriers to entry for local political leadership and rising political contestation. An increasing importance of political dynasties at the subnational level may lead to the capture of local bureaucracy by elected politicians, thus entrenching clientelism over the long term. Successful decentralisation

programmes are accompanied by transparent democratic mandates, local accountability, and community reciprocity that help align policy to community preferences. Ethnic homogeneity can facilitate successful decentralisation, though decentralisation may work under ethnic diversity too if political entrepreneurs can align the economic interests of diverse populations. It is notable that dysfunctional regional and local politics are often at the heart of growing discontent around the globe today. These chapters show ways to make decentralised politics work better.

Second, the volume identifies several potential non-political mechanisms through which the promise of reform can be realised. We document that decentralisation may generate improvements in the delivery of public services and faster local development when aided by enhanced public transparency and disclosure, centralised or decentralised monitoring (depending on the type of activity being monitored), parliamentary sanctions, and democratic accountability supported by citizen-based information systems, as well as democratic norms governing local public service delivery. In so doing, we highlight the challenge of tackling recentralisation as information technology takes a more central role. We also focus on institutional capacity constraints, for example poor physical and digital infrastructure, the lack of qualified and trained personnel, and setting unrealistic targets for political reasons, all of which create barriers to the effective implementation of decentralisation. But our evidence shows that, with a strong will and clear leadership, such problems can be overcome.

Decentralisation is not in itself a good or bad thing. Designed and implemented strategically in ways that take advantage of the political and mechanism design insights offered here, it can promote democracy, efficiency, and accountability. We can make such claims with confidence because we document the same in a number of the chapters that follow. Decentralisation for sub-national development assumes additional significance in the current climate of geopolitical discontent and unrest in the aftermath of spectacular globalisation and technological progress since the 1990s. Dysfunctional decentralisation systems likely explain some of the crisis of democracy in the world today. Making them operational and effective has never been more important.

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