Report

Local governance, decentralisation and corruption in Bangladesh and Nigeria

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About this report

This report synthesises the findings and implications of a two-year research collaboration between the Overseas Development Institute (ODI) in the UK, the Centre for Policy Dialogue (CPD) in Bangladesh, and the Centre for Democracy and Development (CDD) in Nigeria on Multi-level Governance, Decentralisation and Corruption. The study formed part of the Anti-Corruption Evidence Grant Programme (ACE) funded by the UK Department for International Development (DFID) and administered by the British Academy.

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Acronyms

ACC	Anti-Corruption Commission
ACE	DFID's Anti-Corruption Evidence
BA	British Academy
CPCs	Corruption Prevention Committees
DFID	UK Department for International Development
EFCC	Economic and Financial Crimes Commission
FAAC	Federation Account Allocation Committee
FCT	Federal Capital Territory
ICPC	Independent Corrupt Practices and Related Matters Commission
INEC	Independent National Electoral Commission
LDCs	Local Development Centres
LGA	Local Government Area
LGI	Local Government Institutions
MPs	Members of Parliament
PFM	public financial management
RLGIs	Rural Local Government Institutions
SIEC	State Independent Election Commissions
SLIP	School Learning Improvement Plan
SMBs/SMCs	School Management Committees
TLM	Teaching-Learning Materials
ULGIs	Urban Local Government Institutions
UNCAC	United Nations Convention Against Corruption
UP	Union Parishad
UZGP	Upazila Parishad Governance Project
UZP	Upazila Parishad

1   Introduction

Corruption is high on the agenda of national governments, international organisations, aid providers and civil society. At the same time, within the context of broader democratization trends, decentralisation has become a dominant policy reform across the developing world. This generated enormous enthusiasm both domestically and within the international community about prospects for improved governance. 'Democratic decentralisation' appears to promise government and services that are 'closer to the people', while fostering greater citizen voice and participation and increased accountability. The expectation is, in turn, that this will also help to reduce corruption. But in fact, some of the most prevalent manifestations of corruption are at the local level, and it is not clear that more localised forms of government will necessarily be less corrupt. The links between decentralisation and corruption are complex, and the role of decentralised governance in combatting corruption remains uncertain.

The role of decentralised governance in combatting corruption remains uncertain

Despite the efforts of both researchers and policy-makers to better understand the role decentralised governance and decentralisation reforms play in either generating and sustaining corruption or helping to combat it, there is no theoretical consensus or consistent empirical evidence on how corruption and decentralised governance affect one another. Corruption research and policy-making increasingly recognises the need to disaggregate corruption – corruption takes many different forms and has many different causes and effects in different settings, and strategies to combat corruption are also likely vary across these types and settings. In addition, as this study highlights, different theoretical perspectives on both decentralisation and corruption can influence the way that their relationship is viewed and measured.

This report synthesises the findings and implications of a two-year research collaboration between the Overseas Development Institute (ODI) in London, the Centre for Policy Dialogue (CPD) in Dhaka, Bangladesh, and the Centre for Democracy and Development (CDD) in Abuja, Nigeria, on Multi-level Governance, Decentralisation

and Corruption. The research project is part of the UK Department for International Development (DFID) funded Anti-Corruption Evidence Grant Programme (ACE) administered by the British Academy (Box 1). The research is based on a thorough review of the literature on corruption and decentralisation as well as two country studies on Bangladesh and Nigeria which have been published separately by CPD and CDD. These country studies are available via the ODI study page at www.odi.org/projects/2911-british-academy-local-governance-decentralisation-and-anti-corruption

1.1   Research objectives

This research aims to **deepen understanding of the links between decentralised governance and corruption, and what this implies for the effectiveness of anti-corruption measures at the local level** by exploring these connections in Bangladesh and Nigeria. To do so, it explores the performance of decentralised governance arrangements in particular settings, analyses the nature and dynamics of corruption in those settings, and identifies implications of both for the effectiveness of anti-corruption efforts at local levels.

Box 1   The British Academy Anti-Corruption Evidence Programme

The British Academy (BA) funded eight projects as part of a £4 million global anti-corruption research scheme in partnership with the UK Department for International Development (DFID). The BA-DFID partnership is one component of DFID's Anti-Corruption Evidence (ACE) Research Programme.

The scheme supported eight research teams, whose work focuses primarily on DFID priority countries where corruption is a major constraint (including Ghana, Uganda, Kenya, Nigeria, Tanzania and Bangladesh). These projects identify new initiatives that can help developing countries tackle corruption and the negative impact it has on millions of people's lives.

For more information, please visit the BA/DFID ACE Partnership website: www.britac.ac.uk/anti-corruption

Within this framework, the research focused on the following overarching questions:

- What is the nature of the governance relationships in each decentralised context? How does the multi-level governance system perform and why?
- How does corruption manifest itself and vary across different contexts, and how does corruption affect the sectors and functions identified and why?
- What approaches are being taken to anti-corruption in Bangladesh and Nigeria, how effective are they at local levels, and why?

The research findings suggest a strong two-way relationship between the ways in which decentralised governance functions and the forms of corruption that are observed in local settings. The findings also shed light on the impact of local anti-corruption initiatives, and suggest that, if such measures are to be more effective they need to address the weaknesses and incoherence in the system of decentralised governance as it is implemented in a given setting. Such a focus that has thus far been rare in anti-corruption efforts in both Bangladesh and Nigeria. These relationships are illustrated by the arrows in the figure below.

This study makes three broad contributions to the existing evidence in the area of corruption and decentralisation. First, we argue that the theoretical underpinnings of most analysis of the linkages between decentralised governance and corruption are incentive- and principal/agent-based. As such, these analyses of local corruption and possibly the means to tackle it do not respond to the full range of drivers of that corruption, especially more systemic ones like the implementation of decentralised local governance.

Secondly, we suggest that analysis of corruption in decentralised and local settings should be reoriented towards approaches that privilege: (a) the political economy of decentralised systems, including the coherence of policy and implementation, within a broader system of governance; and (b) collective and not simply individual determinants of corrupt behaviour, such as incentives among levels of government, and how these may or may not translate into functional or social norms.

Finally, building on these findings, the study helps to explain weaknesses in local anti-corruption measures analysed as part of the fieldwork for this project. Our research suggests that anti-corruption efforts at the local level can be strengthened by supplementing existing national agency, legal and regulatory, and/or awareness-based approaches with greater attention to the coherence of decentralised governance. Thus anti-corruption initiatives should aim to redress weaknesses in that coherence rather than try to introduce new laws, regulations or awareness-raising measures.

The sections below elaborate the conceptual framework, approach and methods developed and used to undertake this research in greater detail.

1.2   Conceptual framework

As described in Figure 1, we developed a conceptual framework to anchor this research project that focuses on three core concepts – decentralised governance, corruption and anti-corruption – and the linkages between them. The conceptual framework helped to draw out more detailed research questions for each of the three concepts, and the dynamics between them (see Annex 1).

Figure 1   Research Framework

Corruption

How does corruption manifest itself and how does it vary across different contexts? How does corruption affect sectors and functions identified and why?

Decentralised governance

What is the nature of the governance relationships in a given decentralised context? How does the multi-level governance system perform and why?

Anti-corruption

What approaches are being taken to anti-corruption in Nigeria and Bangladesh, how effective are they at local levels, and why?

1.2.1 Decentralised governance

Following Paul Smoke (2015a), this study interprets decentralised governance as:

the assignment of public functions to subnational governments along with structures, systems, resources, and processes and that support implementing these functions to meet specific public sector goals.

As such, the study focuses on understanding the effects of different arrangements of public functions across levels of government. In this kind of 'multi-level governance' approach:

the key underlying question is not whether to "decentralize or not" or even opt for a specific decentralization model, but to look at ways to improve capacity and co-ordination among public stakeholders. (Charbit, 2011a: 3)

This approach to decentralised governance also demonstrates the importance of understanding how formal and informal institutions interact by highlighting different aspects of the political economy of decentralisation, including policy coherence and implementation.

1.2.2 Corruption

The project approaches corruption with two important orientations:

- The study is *inductive* in that it focuses on learning from qualitative fieldwork the different forms that corruption takes in decentralised contexts, and seeing if these align with existing typologies, rather than testing for the presence and causes of a predetermined form of corruption.
- It takes a *disaggregated* approach to corruption: rather than focusing on general levels of corruption, the research has focused on corruption within particular areas of public sector activity, as detailed in the methodology section.

The literature on corruption recognises that broad, often perception-based, measures of corruption can obscure the variety of forms and dynamics present in a given context, and these are key to understanding how to combat corruption. Indeed, as the broader literature on corruption and anti-corruption suggests, the issue of whether generic definitions of corruption can make a significant contribution to efforts to both understand and tackle it remains an open question (Rocha Menocal et al. 2015; Khan et al. 2016; Heywood 2017).

This study takes an open and non-normative approach to conceptualising corruption, so as to capture differing manifestations of, and social norms and views about, corruption. Rather than adopting a generic definition of corruption this study focuses on corruption in the public sector at the local level, and explores abuses that are for private, but also other collective or party-political gains.

For the purposes of this project, we have adopted on a functional definition of corruption that is based on 'the abuse of public authority for non-public advantage'. This captures the role of public authority and the distortionary effects of corruption while remaining open enough for the research to be guided by the perspectives of respondents on what constitutes corruption. It avoids the use of 'private gain' found in other definitions so that perspectives on corrupt gains, such as political or communal, may be captured. This definition is not intended to supplant or contest the wider generic definitions found in the broader anti-corruption literature (see Johnson et al. 2012 and Rocha Menocal et al. 2015 among others).

1.2.3 Anti-corruption

This concept is important to connect the research to 'what works' and 'why' in fighting corruption. However, there is no clear definition of an anti-corruption initiative. Anti-corruption initiatives may include those explicitly framed and aimed at fighting corruption (*direct* approaches), reforms with broader focus but plausible anti-corruption impact (*indirect* approaches), and the anti-corruption effects of given institutional arrangements (*structural* approaches) (Johnson et al. 2012). The approach of this study was to try to explore each of these types of anti-corruption approaches, and where possible, even the interactions between them. An important question is the role of local governance arrangements themselves (structural arrangements) in driving or fighting corruption.

This research set out to explore three anti-corruption initiatives in different local settings in each country of study (Box 2). The initiatives were selected on the basis of several criteria, including that they: (a) capture plausible local impact; and (b) provide a comparison of both direct and indirect approaches to combat corruption.

Box 2 Anti-corruption initiatives analysed as part of this project

Nigeria

- Local Government Civil Service Rule
- Auditor-General of Local Government
- School-based management committees

Bangladesh

- Anti-Corruption Commission outreach at the local level
- Transparency International Bangladesh Conscious citizens committees
- School Management Committees

2 Approach and methods

This research explores the concepts and relationships described in Chapter 1 through inductive and primarily qualitative field research in two countries, Bangladesh and Nigeria.

2.1 Project approach

Within both Bangladesh and Nigeria we studied several local administrations to highlight variation in both institutional and contextual dimensions. We paid particular attention to basic education and local public financial management to allow more detailed examination of particular corruption dynamics and their effects on the population at the local level. Finally, we explored what anti-corruption approaches may be relevant at the local level, how effective they have proven in combating corruption, and why.

The research was guided by an approach that is:

- **Disaggregated.** Both decentralisation and corruption research identifies insufficient disaggregation as a barrier to understanding how corruption and decentralisation relate to each other. This study focuses on different forms of decentralised governance arrangements and corruption, rather than adopting a universal approach. It also looks at anti-corruption initiatives through this disaggregated lens.
- **Inductive.** In line with the first principle, this study aims to better understand the concepts and relationships it studies by observing them on the ground, rather than testing one or a small number of explanatory hypotheses.
- **Theoretically pluralist.** This study maintains an open mind about which theoretical models or explanations may offer insight into corruption at decentralised levels, and addresses the main strands of theory in its analysis.
- **Multi-level.** This study considers interconnections between different levels, from the local to the national. For example, local government capacity cannot be understood without the functioning of intergovernmental relationships, and corruption has a variety of drivers that run across different levels.
- **Collaborative.** This study has prioritised ownership and participation in the design, conduct and analysis of research by all partners. This approach has at times made establishing a common conceptual approach, analyses or comparisons more difficult and time consuming, but it is indispensable to build capacity and longer-term impact in partner countries.

2.2 Case selection

Bangladesh and Nigeria, which are both priority countries for DFID, embody two very different models of decentralised governance (see Chapter 3). As such, the case selection has been purposeful, and is not intended to be representative or selected on the dependent variable (e.g. high or low levels or certain types of corruption). Neither are we intending to *compare* Bangladesh and Nigeria in the strict sense of that term. Rather, the selection is intended to highlight key 'dimensions of variation' in potentially important independent variables and to draw out lessons that may emerge across the case studies. For example, the case selection helps to highlight the distinction between a heavily devolved and a heavily deconcentrated approach to decentralised governance, but we do not use this as an isolated explanatory factor; similarly, our research explores rural–urban distinctions within each country without seeking to use these as an isolated explanatory factor.

We selected local units to study *within* countries on the basis of two broad types of factors that help to draw out contextual differences in governance structures between the two countries. One category of explanatory factor relates to the institutionalisation and structure of governance institutions and relationships. The second category captures more structural or 'background' characteristics of each setting. Below we explain how we operationalised these categories of criteria.

2.2.1 Within-country case selection for Nigeria

In Nigeria, the governance variable we identified to capture different forms of accountability and institutionalisation is whether local government elections have been held. In Nigeria there are Local Government Areas (LGAs) where elections have been held consecutively since the restoration of democracy in 1999 and areas where they have been inconsistently held and are now suspended. Secondly, in Nigeria we compare urban and rural LGAs to capture key structural factors of interest: population, density, diversity.

We captured these two dimensions across and within states following Nigeria's federal structure (Table 1). This approach yielded the following locations within which to explore LGAs that capture the elected/non-elected variation: Lagos, Enugu, and Federal Capital Territory (FCT). In each of the three states, local governments were further selected based on rural–urban differences. Within the timeframe of the fieldwork, Abuja municipal (urban), Gwagwalada and Abaji area councils were covered within the FCT and governed by elected officials;

Table 1   Nigeria within-country case selection logic (12 LGAs)

Nigeria		
	Elections	No recent elections
Lagos		
Rural	2 LGAs	
Urban	2 LGAs	
Enugu		
Rural		3 LGAs
Urban		1 LGA
FCT		
Rural	2 LGAs	
Urban	1 LGA	

Enugu East, Isi-Uzo, Awgu, Enugu North and Nsukka local government areas were covered in Enugu state and governed by appointed officials; while Ejigbo, Ikeja, Oshodi-Isolo, and Eti-Osa local government areas were covered in Lagos state and governed by elected officials.

Lagos State is in South West Nigeria, and is the commercial capital of Nigeria. The state has 20 LGAs, and is divided into the metropolitan city – which covers 16 local governments – and the non-metropolitan city – which has four. Lagos State has generally been very consistent in conducting local government elections and, during our fieldwork, elected local government officials were running the local councils examined. Data collection took place primarily in Ejigbo, Ikeja, Eti-Osa, and Oshodi-Isolo LGAs.

Enugu State is in South East Nigeria. It is known as 'Coal City' because of abundant coal deposits across the state. The state is irregular in the conduct of local government elections and, at the time of fieldwork, there were non-elected officials running the affairs of the local councils. The state has 17 LGAs, most of which are rural. The fieldwork took place in Enugu East, Isi-Uzo, Awgu, Nsukka and Enugu North LGAs, and within the state capital.

Federal Capital Territory (FCT) is in the northern central part of Nigeria. It is also known as Abuja, the political capital of Nigeria. The Independent National Electoral Commission (INEC) and its FCT administration has been consistent in conducting elections for the area councils. So, at the period of fieldwork, there were elected officials in the six area councils that make up the FCT. Data collection was undertaken in three out of the six area councils: Abuja Municipal, Gwagwalada, and Abaji.

Figure 2   Nigeria study sites
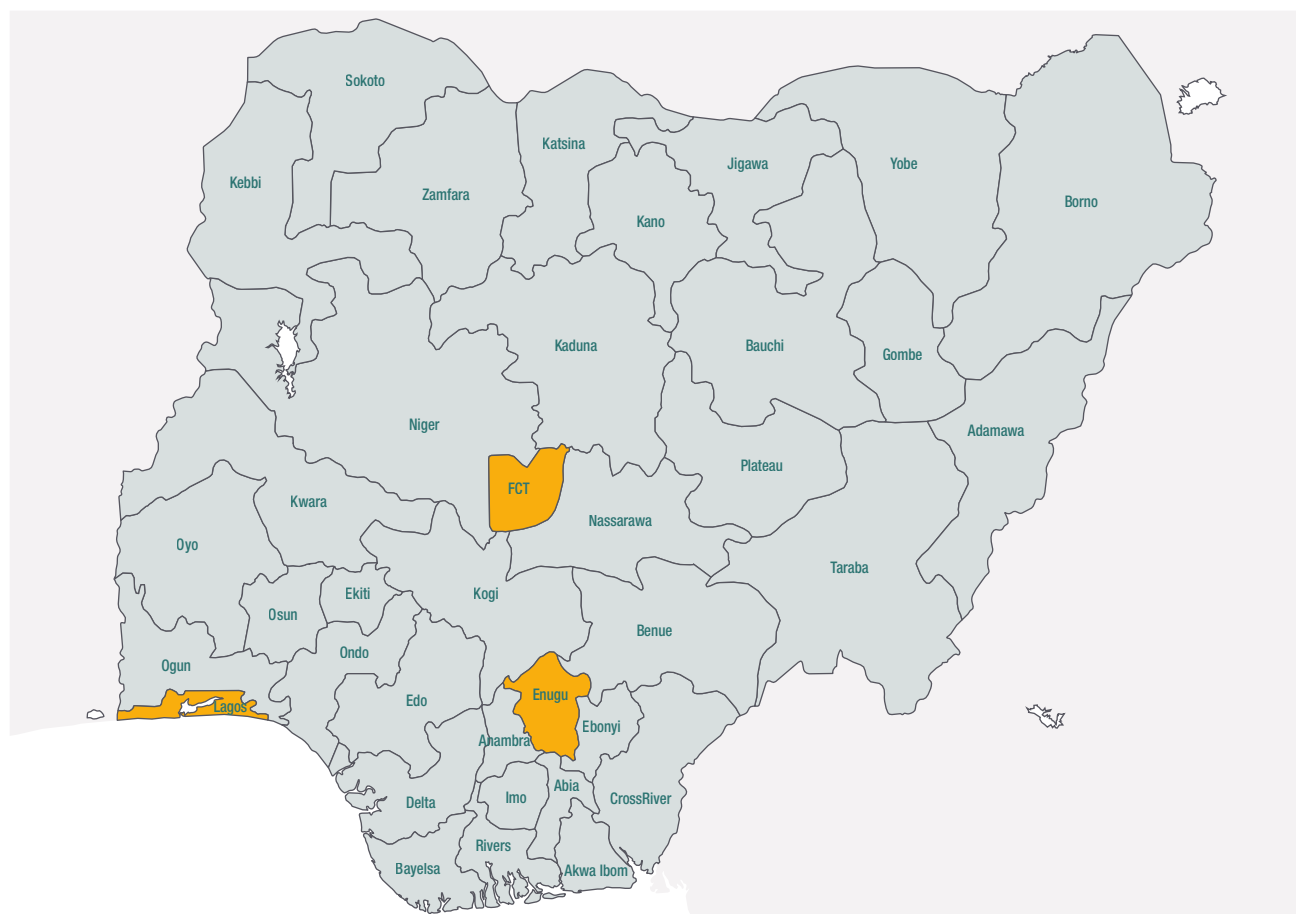
2.2.2 Within-country case selection for Bangladesh

In Bangladesh, we developed different selection procedures, as there is no variance on the presence of elections. However, institutionalisation of local government is still of interest, and so here we selected local settings according to the proximity of the Local Government Institutions (LGI) to sub-district centres. These considerations aimed to capture differences in the level of institutionalisation of local administration, to explore whether this impacts corruption. In Bangladesh, we covered two rural local government tiers – the local Union Parishad (UP) level and the sub-district Upazila Parishad (UZP) level – as well as parallel urban municipality structures. As in Nigeria, the structural dimension is thus represented through a rural–urban distinction, but it also explores differences between two rural administrative tiers.

Research for the project was conducted in six areas, including four Rural Local Government Institutions (RLGIs) and two Urban Local Government Institutions (ULGIs). We used three criteria to select the RLGIs:

distance from Sadar (the centre area at the local level);

performance under the Upazila Parishad Governance Project (UZGP) (for the UZPs); and

performance under the Union Parishad Governance Project (UPGP) (for the UPs). These two support projects – active from 2011 to 2016 – focused on strengthening the UZPs and UPs to be more functional, democratic, transparent and accountable institutions.

Following these criteria, we selected four rural LGIs: Barguna Sadar Upazila and Barguna Sadar Union, located in the south-central part of the country – closer to the centre area and good performer under UZGP and UPGP coverage respectively; and Kasba Upazila and Haripur Union, located in the east-central part of the country – comparatively far from the centre area, and poor performance under UZGP and UPGP coverage respectively.

In case of the ULGIs, we considered distance from the capital city, age of the institution and category according revenue collection performance as dimensions of variation. Distance/location of the municipalities and age of the institutions are taken as criteria because they are proxies for institutionalisation. Municipal categories

(A–C) are based on the minimum annual revenues collected over the last three years. According to these criteria, we selected two urban LGIs: Moulavibazar municipality – far from the capital city, long established and a Category A municipality; and Basail municipality – closer to the capital city, relatively newly established and a Category B municipality.

2.3 Sector focus

As mentioned earlier, the project also applies a comparative approach across a limited set of sectors and/or public functions to enable the disaggregated and inductive approach outlined above. While corruption may be widespread, and local governance important across many sectors, without exploring specific manifestations our approach posits that the resultant understandings of corruption and ways to fight it will risk being too generic to be actionable.

We selected basic education as the sectoral focus for this project, with an emphasis on primary schooling. In addition, the project also looked at public financial management (PFM) as a core local government function. PFM is here understood as both the process and outcomes of management of public resources available to the local level. This process includes revenue management and planning, budget formulation and approval, budget execution, reporting and evaluation (Andrews et al., 2014).

We chose these foci to enable common analysis across countries (both countries feature School Management Committees, for example), their impact on development outcomes for ordinary people, and the size of the public sector they represent. In Bangladesh, we also looked at selected social safety net services at the local level.

2.4 Data

Due to the qualitative, small-n, and sensitive nature of the study, research design focused on triangulation (i.e. identifying potentially complementary sources of data). Four main categories of data were used, including desk reviews of existing country-focused literature, documentary and institutional sources, primary interviews, and focus group discussions. The interviews and focus groups used a semi-structured approach based on the detailed questions outlined in Annex 1, and analysis was via coding of responses to these research questions. To support comparable research approaches and tools, a checklist of likely data sources was agreed for both countries (Box 3). Details of data collection and fieldwork are available in the respective country studies.

The next chapter details the state of theoretical and empirical understanding of decentralised governance and corruption, and argues that there are important theoretical perspectives in the literature on each concept

Table 2 Bangladesh within-country case selection logic

Bangladesh		
	Rural	Urban
Institutional age		
Older	1 Upazila Parishad (sub-district)	1 Municipality
	1 Union Parishad	
Newer	1 Upazila Parishad (sub-district)	1 Municipality
	1 Union Parishad	

Figure 3   Bangladesh study sites
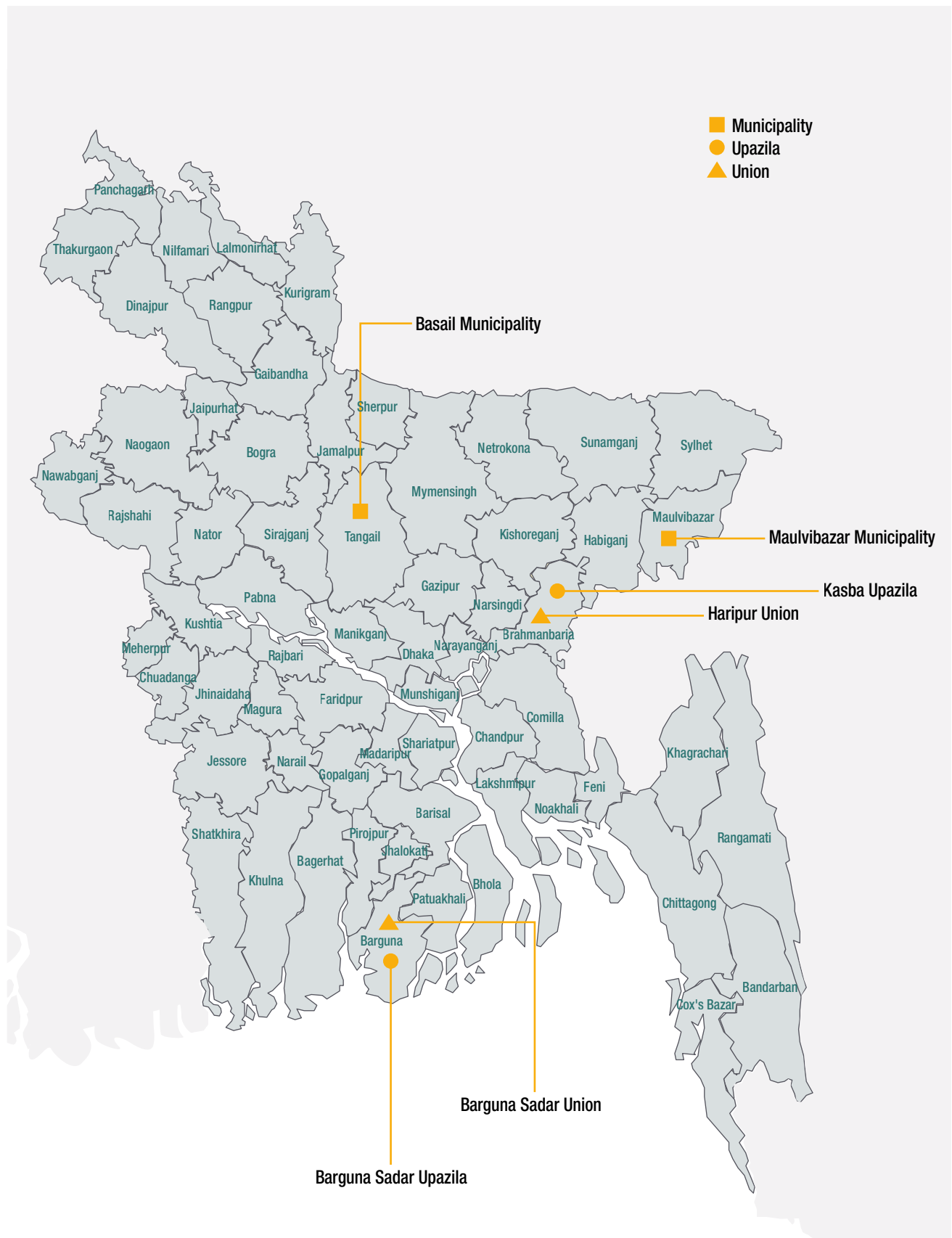
that have not been adequately brought to bear on the links between them. Chapter 4 presents the study's empirical findings on local corruption and the dynamics of decentralised governance that may help explain them. It also explores the impact of local corruption in the sectors studied and its effects on the poor and marginalised. Chapter 5 reviews the effectiveness of anti-corruption efforts in mitigating these effects. The report concludes with implications for improving anti-corruption efforts.

Box 3   Data sources

Documentary sources

- In-country literature/desk review, with specific focus on primary education and PFM

- Media scanning within selected local settings

- Primary institutional sources – launch, budget, budget composition, establishment, meetings of council

Interview sources

- Elected officials – councillors, members of parliament

- Local government staff

- Sector staff and service providers – project staff, contractors, delivery

- Citizens – constituency based focus groups

- Activists and civil society organisations (CSOs)

- Local media representatives – locality press club

- Political party representatives

- Other formal and informal decision-makers

- Expert groups – academics, Transparency International, retired officials

- Local government ministry

- Education ministry

3 Understanding decentralisation and corruption

A significant number of theoretical and empirical studies have addressed the relationship between decentralisation and corruption. However, these have yielded different interpretations of the relationship and evidence regarding decentralisation's effect on corruption. One reason for this diversity is that expectations and evidence on linkages between decentralisation and corruption are shaped by different theoretical perspectives adopted by analysts and policy-makers, and that there are gaps in these perspectives. Studies have also been focused on the impact of decentralisation reforms on corruption, but not on the converse role of corruption in shaping the logic and effectiveness of decentralised governance. This chapter reviews these different perspectives and identifies gaps in the way they have been used in relevant literature.

3.1 Empirical evidence on decentralisation, corruption and anti-corruption

The empirical evidence from systematic studies of decentralisation and corruption is mixed, reinforcing the need to apply more nuanced theoretical and conceptual approaches. Several recent meta-analyses of anti-corruption evidence that capture decentralisation have confirmed that, while there is a large evidence base, findings on the links between decentralisation and corruption remain inconclusive (Rocha Menocal and Taxell, 2015; Johnson et al. 2012; Kolstad, Fritz and O'Neil, 2008). Similarly, meta-reviews of decentralisation's impact on a range of development outcomes have found mixed evidence for its effects not only on corruption, but also on other variables of interest (Faguet and Pöschl, 2015; Local Development International, 2013; Mansuri and Rao, 2013), including poverty (Jütting, Corsi and Stockmayer, 2005), public service delivery (Kahkonen and Lanyi, 2001), and conflict management (Bird, 2003).

These reviews capture large-scale quantitative and cross-country analyses (Shah, 2006; Fisman and Gatti, 2002; Fan, Lin and Treisman, 2009) that take broad approaches to conceptualising and operationalising both decentralisation and corruption. Typically they focus on fiscal shares of subnational expenditure or revenue and perception data on corruption, while a few deal with local-level corruption (Albin-Lackey, 2007). As summarised by Fan, Lin and Treisman (2009), Huther and Shah (1998), De Mello and Barenstein (2001), Fisman and Gatti (2002) and Arikan (2004) all find that a larger subnational share of public expenditure was associated with lower perceived corruption. However, other studies report conditional effects, whereby larger subnational revenues are associated with lower perceived corruption only where parties are more established, or where there are fewer parties in government (Enikolopov and Zhuravskaya, 2007). Some studies focus on the effect of political arrangements:

> *Goldsmith (1999), Treisman (2000), and Kunicová and Rose Ackerman (2005) all found that federal structure was associated with higher perceived corruption. (Fan, Lin and Treisman, 2009: 14)*

An additional problem with connecting the available research to concrete measures to fight corruption is the finding that perception indicators of corruption are not highly correlated with experiential indicators (Treisman, 2007b).

Case studies and comparative work also emphasise that the interaction varies in different conditions. For example, a study of political decentralisation and corruption in Bangladesh, Côte d'Ivoire, Ghana and India (Karnataka state) found that in the short run, decentralisation reduces grand theft but increases petty corruption, while in the long run, both may be reduced (Niazi, 2011). A few studies have touched on organisational and political cultures which might be influenced by decentralisation, with one example finding that:

> *A move from command-and-control culture to service-oriented culture at a magnitude of one standard deviation may decrease corruption by over 17 percent. Civic institutions may also play an important role in anti-corruption efforts (16 percent). (Gurgur and Shah, 2005: 18)*

Decentralisation and corruption are complex, and each has been approached through a range of theoretical perspectives. These perspectives are themselves evolving in relation to the elaboration of empirical evidence. Similarly, the empirical evidence for how decentralisation affects corruption depends on the theoretical approaches that are chosen to specify and measure decentralisation and corruption. These theoretical differences can help explain the seemingly contradictory and inconsistent evidence base on decentralisation and corruption. It is important, therefore, to understand the dominant theoretical perspectives on decentralisation and corruption and how they are changing.

3.2 Approaches to understanding decentralisation

Decentralisation has well-established general definitions, though individual phrasing varies. For our purpose, as noted in Chapter 2:

Decentralisation is generally understood as the assignment of public functions to subnational governments along with structures, systems, resources, and processes and that support

implementing these functions to meet specific public sector goals. (Smoke, 2015a)

However, behind this description there are many dimensions and forms of decentralisation. Generally these are divided into political, administrative and fiscal dimensions, and forms of decentralisation including devolution, deconcentration and delegation. These dimensions and forms combine to create a range of possible decentralisation scenarios, and it is important to disaggregate these to better understand their implications for development outcomes. For example, Bangladesh and Nigeria have very different decentralised governance forms. While Nigeria is structured around devolved relationships across three tiers of government (within a strongly devolved federal–state relationship), Bangladesh features a generally de facto deconcentrated system, with strong ties to the centre, overlain with de jure devolution via some political decentralisation.

There are three broad theoretical approaches to understanding decentralisation reforms (Table 3). Each builds on previous work, but should be considered three complementary 'lenses' on decentralisation. Our fieldwork supports a combination of these approaches, and emphasises the importance of the third approach, one which focuses on the real-world implementation of

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Box 4   Dimensions and forms of decentralisation

Administrative decentralisation is the transfer of managerial responsibility for functions (e.g. delivering a service) to: lower levels within existing departments (Administrative Deconcentration); levels of government (Administrative Devolution); or to non- or para-state entities (Administrative Delegation).

Fiscal decentralisation is the provision of the resources for exercising decentralised powers and responsibilities to these levels.

Political decentralisation is the shift of political decision-making power (e.g. legislative authority) to lower levels of the state, and increased accountability of these local levels to citizens through elections and/or other means (Political Devolution). It is sometimes referred to as 'democratic decentralisation'.

Source: European Commission (2007)

Table 3   Three approaches to decentralisation

	Fiscal federalism	Political economy	Implementation and systems
Key theories	• public choice • principal–agent	• political economy • new institutional economics	• systems theories/multi-level approaches • collective action
Key assumptions	• rational agents • benevolent principals	• incentives at all levels • politics drives policy	• institutional coherence and environment important • inter-government relationships important
Implications for corruption research	• understand incentives of subnational actors	• understand incentives at all levels	• understand corruption systems • understand social/collective factors • understand corruption effects on decentralisation

decentralisation but which is relatively neglected in the literature connecting decentralisation and corruption.

3.2.1　Fiscal federalism

The first approach derives from theories of public economics and public choice. It focuses on how decentralisation of the public sector affects its three economic functions of 'allocation, distribution and stabilization' (Oates, 1989: 554).[1] A lot of effort in this approach is devoted to the 'assignment problem' – that is, what distribution of functions across levels of government is likely to create the best outcomes?

Stabilisation functions, such as control of the money supply, are best held centrally. However, allocation and distribution are better served by different degrees of 'fiscal federalism'. This proposition was captured in Wallace Oates' 'decentralisation theorem' (1972), which posits that different spatial characteristics of public goods mean that some will be better provided by local jurisdictions. Some goods, such as defence or those with high economies of scale, are best produced nationally, while other goods benefit only specific areas (have few externalities) or are subject to preferences that differ in different places. In these cases, allocation or efficiency can be improved through decentralisation, or competition among jurisdictions can improve efficiency (Tiebout, 1956). Similar principles are applied to the assignment of revenues – for example, taxing mobile factors locally does not make sense, so property tax is an ideal local revenue source (Tanzi, 1995: 310–314).

This approach leads to a prescriptive and sequenced model for decentralisation that starts with the functions to be carried out by each level of government, the best assignment of revenues to these levels, then determines how transfers and borrowing can best fill the gaps (Steffensen, 2010: 5).

This approach has been called 'First Generation Fiscal Federalism' (Weingast 2014). It frames decentralisation as a way to improve public sector performance within principal–agent relationships. As such, it implies

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Box 5　Four pillars of fiscal decentralisation

- expenditure assignment

- revenue assignment

- transfers

- borrowing

Box 6　Principal–agent problems

A principal–agent problem exists when one party to a relationship (the principal) requires a service of another party (the agent) but the principal lacks the necessary information to monitor the agent's performance in an effective way. The 'information asymmetry' that arises from the agent having more or better information than the principal creates a power imbalance between the two and makes it difficult for the principal to ensure the agent's compliance (Booth, 2012).

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that principal–agent analysis is the primary tool to understand the relationship between decentralisation and outcomes like corruption, and it aligns closely with the principal–agent approach to corruption described later in this chapter.

3.2.2　Political economy

A second approach to decentralisation emphasises political economy, and loosens the assumption of a benevolent Principal:

Views public officials as conventional utility–maximizing entities with their own objective functions, who operate within a constellation of incentives and constraints that depends on existing political and fiscal institutions. (Oates 2008)

This approach focuses on the interests and motivations of those initiating or driving decentralisation processes, as well as those affected by them. Decentralisation almost never begins through an ordered policy process (Smoke, 2015b: 252). Rather, it is a response to political conditions, through which its progress is also shaped. A key feature of the late 20th and early 21st century has been a widespread tendency to adopt decentralisation reforms.[2] However, this trend masks great diversity in the causes, drivers and pathways of such reforms. For example, rapid decentralisation of a broad range of functions in Indonesia – and subsequent strengths and weaknesses – cannot be isolated from the context of separatism, fiscal crisis, and democratic transition that surrounded this 'big bang' reform. Similarly, Nigeria's dispensation cannot be understood without reference to historical concerns over regionalism, diversity and national unity, and the need to manage rents from resource revenues. And of course,

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1　These functions are also sometimes referred to in public financial management literature as macroeconomic stabilisation or fiscal discipline, technical efficiency, and allocative efficiency (World Bank, 1998: 10; Allen and Tommasi, 2001: 19–20).

2　Various analysts have suggested decentralisation reforms were on the agenda in between 80% and 'virtually all' countries during this period (World Bank, 1999: 107–108; Faguet, 2014).

decentralisation is shaped by historical starting points – colonial legacies, legal origins and the like.

Analysts have classified some of the political factors that shape the initiation and course of decentralisation processes. Some causes identified in the literature include:[3]

- prevention or mitigation of subnational conflict, particularly ethnic conflict
- alleviation of fiscal pressure or crisis at national level
- consolidation of central government control or legitimacy
- improvement of service delivery
- stimulation of economic growth
- pressure and influence from donors.

Different causes of decentralisation will emphasise different dimensions of decentralisation, producing variants in the type of decentralisation that results. This second approach focuses attention on the diversity of decentralisation, helping to distinguish the variants of decentralisation and the different effects these might have. Some of these effects appear in the empirical findings of this study. In Nigeria the strong emphasis on political and democratic decentralisation through devolution has created supposedly strong local governments but without adequate fiscal or administrative autonomy to act on their assigned role. In Bangladesh, administrative decentralisation has also run ahead of fiscal dimensions, and incomplete political decentralisation means accountability relationships remain confused. For example, depending on the political economy driving decentralisation, one or another of the political, administrative and fiscal dimensions of decentralisation may dominate. What this perspective implies – or in some cases explicitly concludes – is that if the dimensions of a decentralisation process become too far out of balance, it is unlikely to function well (Boex, n.d.). Large 'revenue-led' fiscal decentralisations can result in the transfer of resources in the absence of adequate capacity to plan, budget and monitor. Politically-led decentralisation can lead to 'unfunded mandates': responsibilities devolved to local levels without adequate funding. Alternatively, administrative decentralisation without

clear accountability may produce predatory behaviour by empowered local officials.

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3.2.3 Implementation and systems approach

The third approach to decentralisation emphasises the process of reform and brings to the fore gaps between policies and implementation. While there is an 'optimal sequencing for decentralization' – countries 'in general, do not' honour this sequence – often for the political economy reasons highlighted in the second approach (Bahl and Martinez-Vazquez, 2006: 34). Changes to central–local relations empower new actors, create new interests and interest groups, and engender resistance. These challenges are linked to the political process by which decentralisation is driven, but also stem from a range of 'neglected issues' including contextual factors, coordination problems and bureaucratic dynamics among the actors involved, and variations in local and national capacity (Smoke, 2013; 2015b: 253). In this view, a key to understanding the variable outcomes of decentralisation lies in this 'implementation challenge' (Smoke, 2010: 192).

This approach emphasises gaps between national and subnational governments in information, finances, capacity, policy and political orientation and other areas (Charbit, 2011b: 15–16). The quality of the relationships and coordination between levels of government is as important as whether a country should 'decentralize or not' (Charbit, 2011b; Smoke, 2015c; Mansuri and Rao, 2013). Capacity, coherent policies, institutions and

Table 4   Causes, forms and manifestations of different decentralisation processes

Driver	Dominant dimension	Manifestation
Pressure to reduce central government budgets	Fiscal	Assignment of expenditure functions to lower levels (with or without funding)
Prevention of subnational conflict	Political	Creation of subnational government representation
Consolidation of central control	Administrative	Creation of deconcentrated administrative units
Efficiency/services	Delegation	New public management/donor-driven local capacity development

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3   For discussions of the drivers of decentralisation see Eaton, Kaiser and Smoke (2011), and Smoke (2015a).

reforms at all levels of government and across political, administrative and fiscal dimensions of decentralisation are crucial (Jütting, Corsi and Stockmayer, 2005). The strength and quality of these relationships are difficult to incorporate in aggregate measures of decentralisation.

This implementation approach to decentralisation also shows that the performance of decentralised governance is dependent on organisational, institutional and behavioural changes. These go beyond the already complex requirements of aligning political, fiscal and administrative dimensions to the existence of political and civil rights, media, judicial institutions, bureaucratic culture, and the distribution of capacity across levels of government. However, 'whether these relationships hold in practice remains an unsettled empirical question' (Gurgur and Shah, 2005: 12). This enabling factor focus is also reflected in literature that considers the links between 'supply' and 'demand' sides of governance to be important (Mansuri and Rao, 2013; Fox, 2014).

One implication of this approach to decentralisation is that without understanding the quality of inter-governmental relationships and the presence or absence of other enabling factors, it may be difficult to assess the impact of decentralised governance on corruption. Equally important is the implication that corruption itself, as a barrier to effective implementation, can have its own effects on the quality of decentralised governance and inter-governmental relationships.

3.3 Approaches to understanding corruption

While there is no single definition of corruption, the understanding popularised by Transparency International – the abuse of public resources or entrusted power for private gain – has become widely accepted (Heywood,

2017). This understanding is consistent with the focus in this study on the use of public authority for non-public advantage. However, we prefer to focus on non-public advantage because a range of different types of 'gains' are sought through corrupt behaviour, and these are not all strictly 'private' in nature.

Corruption is multi-faceted, and increasingly the literature emphasises how specific forms manifest themselves in diverse circumstances and with different causes and effects (Table 5). But measuring corruption remains a persistent challenge for a variety of reasons, including its clandestine nature and the reliance on perception-based data, which are both in themselves determined by understandings of corruption that vary between countries and societies.

These variants of corrupt behaviour provide a useful typology, but do not offer much insight into the causes and sustaining factors of corruption. Traditional distinctions, such as that between 'grand' and 'petty' or 'need vs greed' corruption, are also difficult to operationalise. For the purposes of this study a focus on the 'industrial organisation' of corruption is useful. This means observing whether corruption is 'top-down', in which higher level officials buy in lower ones, or 'bottom-up', in which shares of rents collected locally are distributed upwards, and whether it is decentralised or centralised – in terms of how many agents need to be paid off (Bardhan, 2006: 343–344).

Corruption results from interactions between a multiplicity of actors (within the state as well as in the private sector and organised civil society) and institutions (including both formal and informal 'rules of the game') at international, regional, national and/or subnational levels. Theoretical understandings of corruption and how it is recreated have evolved to take account of both individual and collective factors (Marquette and Peiffer 2015). As with decentralisation, these understandings can be grouped into three approaches, outlined below.

Table 5   Different forms of corruption

Forms of corruption	Description
Bribery	The act of dishonestly persuading someone to act in one's favour by a payment or other inducement. Inducements can take the form of gifts, loans, fees, rewards or other advantages (taxes, services, donations, etc.). The use of bribes can lead to collusion (e.g. inspectors under-reporting offences in exchange for bribes) and/or extortion (e.g. bribes extracted against the threat of over-reporting).
Embezzlement	To steal, misdirect or misappropriate funds or assets placed in one's trust or under one's control. From a legal point of view, embezzlement need not necessarily be or involve corruption.
Facilitation payment	A small payment, also called a 'speed' or 'grease' payment, made to secure or expedite the performance of a routine or necessary action to which the payer has legal or other entitlement.
Fraud	The act of intentionally and dishonestly deceiving someone to gain an unfair or illegal advantage (financial, political or otherwise).
Collusion	An arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.
Extortion	The act of impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.
Patronage, clientelism and nepotism	Patronage at its core means the support given by a patron. In government, it refers to the practice of appointing people directly.

Source: Johnsøn et al (2012); World Bank (2011).

3.3.1 Principal–agent approaches

Heavily influenced by Rose-Ackerman (1978) and Robert Klitgaard (1988), principal–agent theory defines corruption as a series of interactions within and outside public bodies. It emphasises the rational choices that take place in individual incidents of corrupt behaviour, and posits corruption is likely to thrive in conditions where accountability is weak and people have too much discretion. Until recently, the predominant theoretical approach to corruption was based on this principal–agent model. For example, all of the 15 studies on corruption's impact on economic growth included in a recent meta-analysis (Rocha Menocal et al., 2015) 'adhered to an explicitly-stated principal–agent approach to corruption, or their account was closely related to that approach' (Marquette and Peiffer, 2015). Moreover, Persson et al.'s (2013) empirical analysis of anti-corruption efforts finds the designs of most anti-corruption programmes reflect a principal–agent understanding of corruption rather than any alternative view.

According to this theory, conflict exists between principals on the one hand and agents on the other. Corruption occurs when a principal is unable to monitor an agent effectively and the agent betrays the principal's interest in the pursuit of their own self-interest (Persson et al., 2013). Or as Klitgaard (1988) famously put it, 'corruption equals monopoly power plus discretion minus accountability', expressed as: C=M+D-A.

Public servants or elected politicians (who in this case would both be the agents) may be able to abuse their public office to secure private rents in exchange for public services because members of the public (in this case, the principals) cannot hold them to account. Or, elected principals may have difficulty ensuring adequate oversight over the behaviour and actions of civil servants (the agents) (Marquette and Peiffer, 2015). Thus, principal–agent theory sees corruption as an agent problem and focuses on agent incentives and information problems (Mungiu-Pippidi, 2006).

A crucial assumption is that 'principals are principled' (Klitgaard, 1988). Whether elected officials or ordinary citizens, principals are fundamentally interested in holding agents to account and in controlling corruption, and they would be able to do so effectively if only they had sufficient information at hand (Rocha Menocal et al., 2016; Heywood, 2017). Based on this understanding of corruption, many anti-corruption initiatives focus on efforts to reduce the discretion of agents and to alter their individual incentives and motivations (Olken and Pande, 2013). However, this approach misses important drivers of corruption. Drawing on qualitative fieldwork from Kenya and Uganda, for example, Persson et al. (2013) argue that in highly corrupt environments there may be a lack of 'principled principals'.

3.3.2 Collective action approaches

More recently, literature that analyses corruption from a collective action perspective has emerged. Booth and Cammack's (2013) comparative research across different countries in Africa suggests that, in cases where corruption is systemic, and where there are low levels of social and political trust, it may be useful to think of corruption not only in terms of a principal–agent dynamic but also as a collective action problem, in which the collective incentives of members of the system inhibit the emergence of a developmental equilibrium (Booth, 2012).

From this perspective, all stakeholders – rulers, bureaucrats and citizens alike – are 'self-maximisers', and the way they behave to maximise their interests is highly dependent on shared expectations about the behaviour of others (Ostrom, 1998). In many cases the nature and identity of corrupt actors is well known to the 'principal' (central government or society more broadly) (Gurgur and Shah, 2005: 10–11). Where corruption is pervasive, principals are also corrupt and they do not necessarily act in the interest of society, but rather pursue particularistic interests (Mungiu-Pippidi, 2011; Persson et al., 2013). It is this systemic, rather than simply individual, character of corruption that makes it so entrenched and difficult to address (Rocha Menocal, 2016).

As Persson et al. (2013) argue in their study analysing incentives for corruption in Kenya and Uganda, the rewards and costs of corruption depend on how many other individuals in the same society are expected to be corrupt.

> *Multiple equilibria – with ample variations in levels of corruption – are then possible in similar institutional settings' depending on the interaction of many actors' behaviours. (Della Porta, 2012: 15)*

If corruption is the expected behaviour, individuals will opt to behave in corrupt ways because the costs of acting in a more principled manner far outweigh the benefits. The evidence and the nature of collective action problems is that this holds true even if there is perfect information, and even if everyone condemns corruption and realises a less corrupt outcome would be more beneficial for society at large (Persson et al. 2013). This approach resonates with the empirical findings of our study, both in Bangladesh and Nigeria, which indicate high levels of awareness of corruption and its negative effects but limited effectiveness of measures to use this awareness to reduce its persistence.

3.3.3 Functional and social approaches to corruption

Both principal–agent and collective action approaches to corruption are focused on the incentives of individual agents in relationships or collectivities. However, there are also approaches that emphasise the social construction of corruption, including its functional role in societies and its normative content. Unlike the first two, this approach adds social content to the conceptualisation of corruption.

Corruption undermines legitimacy and trust in public institutions and skews the distribution and quality of public services (Rocha Menocal et al., 2015).

This can impact marginalised and vulnerable groups disproportionately and lead to increased inequality. However, corruption may play a recognised and functional role in societies. The term 'corruption' covers a host of activities and situations, some of which are more detrimental than others (Khan et al., 2016; Rocha Menocal et al., 2015). As Marquette and Peiffer (2014) have emphasised, corruption may serve an important 'problem-solving' function in contexts characterised by weak and ineffective institutions and in which it may be difficult to access basic services. Countries with highly variable levels of corruption have been able to sustain prolonged periods of economic growth. While at the micro level corruption imposes costs in terms of both domestic investment and business productivity and performance – demonstrated in both Bangladesh and Nigeria – it has not prevented macroeconomic growth altogether. Corruption, broadly speaking, is not what has made the difference, but rather how such rents have been managed and distributed (Booth, 2012).

There is a difference, for instance, between police officers demanding payment to carry out their responsibility to protect citizens (especially when they haven't been paid) and political leaders handing over lucrative monopoly rights through 'piratization' to strategic allies. And the removal or elimination of corrupt practices may in fact produce unintended problems. For instance, efforts to curtail corruption in low-income countries are likely to impede the functioning of the informal sector. As the informal sector involves many of the poorest and most vulnerable members of society, reduction of 'corrupt' practices in largely informal economies may exacerbate poverty.

Corruption can heighten conflict dynamics by undermining trust within and between actors in both state and society. On the other hand, access to the proceeds of corruption can be crucial in forming the political settlements necessary to end violent conflict or to provide stability. By contrast, efforts that seek to transform corrupt regimes too quickly can lead to violence as entrenched political interests resist change. These examples show how important it is to move away, as Heather Marquette (2015) has suggested, from the unquestioning assumption that corruption is always the worst of all evils and that it can be wiped out without collateral damage.

When corruption serves recognised societal functions, or is pervasive, this impacts its social construction by members of society. Incentives and norms combine in a 'coevolution of economic incentives and cultural values' in which the benefit to an individual for corrupt actions 'depends not only on his moral preferences and economic incentives but also on interactions with other individual's choices and their effects on social judgements of his actions', resulting in a 'hidden order of corruption' (Della Porta, 2012: 14). In this sense, culture can be seen as a means of 'coordinating expectations', transmitting signals about the normality of corruption or otherwise (Bardhan, 2006: 344).

The power of social norms – that is, shared understandings about obligatory, permitted or forbidden actions within a society (Ostrom, 2000) – to shape behaviour has been increasingly explored to explain both corruption and an approach to fighting it (Kubbe and Engelbert, 2018; Lindner, 2014). Fisman and Miguel (2006) found that New York-based diplomats from high corruption countries tend to commit parking violations more often than those from low-corruption countries and explain this difference by a culture of tolerance of corruption in the diplomat's home countries.

Barr and Serra (2006), in an experimental bribery game with participants from 43 countries, found that even if the country of origin is a strong predictor of behaviour, time spent in the host country is also an important variable. Dong, Dulleck and Torgler (2009) also show that when non-corruption is the prevailing norm in a society, the perceived price of violating this norm deters corrupt behaviour.

There has also been research on the effects of other social norms on corruption. Husted (1999) tested four cultural factors and perceptions of corruption: the level of paternalism in a society ('power distance'); the extent to which individuals are likely to violate laws that go against moral codes ('collectivism'); the extent to which a society prioritises competitiveness over quality of life ('masculinity'); and the feeling of being threatened by uncertainty ('uncertainty avoidance'). Cultures high in power distance, masculinity and uncertainty avoidance are perceived as more corrupt.

These approaches bring a new angle to understanding the disappointing results of anti-corruption measures focused on institutional reform and strengthening of the law – emphasising instead the possibilities of changing behaviour through education on values and promoting integrity as necessary to fighting corruption.

3.4   Implications for the relationships between decentralisation and corruption

Decentralisation – particularly its 'democratic' form – has theoretical advantages and disadvantages related to governance and development, including corruption. By bringing government 'closer to the people', decentralisation may reduce bureaucracy and increase competition, increase citizen voice and participation, and strengthen accountability. These effects are posited to in turn reduce corruption. At the same time, decentralisation can threaten coordination, creating overlapping extractive incentives leading to 'overgrazing', and can overburden low-capacity administrations. In fact, decentralisation may be associated with more, or at least more decentralised forms of, corruption, because institutional hybridity and weak accountability

mechanisms are also prevalent at the local level (Booth and Fritz, 2008). In short:

> *One might expect a variety of effects associated with different types of decentralization to operate simultaneously, pulling in many directions, with different strength in different contexts. (Fan, Lin, and Treisman, 2009: 1)*

Much of the theoretical literature addressing decentralisation's impact on corruption focuses on the first two (incentive-based) interpretations of both decentralisation and corruption. The same theoretical reasons for the desirability of decentralisation in public economics have also been seen as opportunities for reducing corruption within a principal–agent framework. As a result, many studies emphasise the lack or increased control of subnational agents created by decentralisation as the key determinant in shaping corruption (Bardhan and Mookherjee, 2001; for a survey see Shah, 2006). In fact, the theoretical relationship between decentralisation and corruption often comes down to these interpretations of the effect of decentralisation on control over local elites:

> *In one way it increases political accountability … to the local people, as the local government is much nearer to them with a better idea of the needs of the local people, and the latter can monitor it much better. But, on the other hand, it might be easier for the local elite groups or the oligarchic interests to capture local government … Clearly, this varies from country to country and from context to context … but in principle we have to be wary of this trade-off between more local information and the possibility of easier capture. (Bardhan, 2006: 346)*

Following this logic, conditional explanations for the variance in empirical outcomes emerge (see also previous section on empirical evidence). Where decentralisation results in multiple tiers of government or overlapping

authorities, corruption is more likely (Treisman, 2007a; Fan, Lin and Treisman, 2009; Tanzi, 1995; Carbonara, 2000). Where information is more readily available, principal–agent dynamics are reduced and corruption less likely. In short, decentralisation's 'welfare comparison with centralisation depends upon the extent of local capture' (Bardhan and Mookherjee, 2001: 17). Other factors can be extrapolated from this logic – for example mobility reduces the negative effects of independent decentralised state monopolies that foster excessive bribe-taking (Shah, 2006: 10; Prud'Homme, 1995).

By the same logic, accountability is the key to reducing the impact of elite capture and therefore corruption in decentralised contexts. In this light, the existence of strong media, rule of law or citizen participation is argued to be positive, as is devolution instead of deconcentration (Shah, 2006; Crook and Manor, 1998). Similarly, alignment of expenditure and revenue decentralisation is posited as a good thing, with local taxes and user fees modelled to generate greater accountability than central grants (Bardhan and Mookherjee, 2001: 22). On the other hand, highly costly political competition can generate its own corruption industry, and to erode distinctions between political and petty corruption (Wardle, 2016).

These latter arguments begin to approximate a systems approach to understanding both decentralisation and corruption, adding to the principal–agent model a need to understand the 'industrial organisation' of corruption, the structure of political competition and the presence or absence of various enabling factors for effective decentralisation. Echoing this plural approach, 'both principal–agent and collective action lenses highlight different challenges to anti-corruption' (Marquette and Peiffer, 2015: 7).

Nevertheless, as Table 6 shows, these arguments cover a limited amount of the theoretical space available to explore the relationship (in Table 6, the area shaded pale yellow). Two large avenues of enquiry connecting the two concepts of decentralisation and corruption remain relatively unexplored, and are illustrated in the areas of the table shaded pale green.

Table 6   Theoretical approaches to relationships between decentralisation and corruption

		Approach to corruption		
		Principal–agent	Collective action	Social norms
Approach to decentralisation	Fiscal federalism	• C=M+D-A	• number of decentralised units • mobility of people	• perceived local 'functions' of corruption
	Political economy	• extent of local capture • local accountability	• bureaucratic incentives and barriers • coordination challenges	• political drivers and discourse around decentralisation
	Decentralisation systems	• structure of political competition • coherence of decentralised system	• accountability enabling factors (media, political accountability) • 'industrial organisation' of corruption • implementation gap	• normalisation • practical norms • social costs of participation/ non-participation

The first avenue of enquiry is the importance of the actual functioning of decentralised systems of governance. The presence of enabling factors for decentralisation and the coherence of decentralised systems of governance as actually implemented (the 'implementation gap', alluded to earlier) both shape the real-world effects of decentralised governance on incentives, functional relationships, and norms. The second avenue of enquiry is the relationships between these systems, and collective incentives and social norms. For example, there is little work exploring the differences in norms at local levels.

3.5   Implications for anti-corruption programming

Attempts to combat corruption across the developing world have fallen considerably short of expectations (Johnson et al., 2012; Rocha Menocal and Taxell, 2015). One reason for this is that these efforts respond to certain models or understandings of corruption's causes. Our study contributes to widening these understandings of how corruption should be explained, especially at local levels. By doing so, we illustrate where anti-corruption programming may be based on unrealistic assumptions or could be improved.

There has been a tendency to design anti-corruption interventions around assumptions embedded in principal–agent understandings of corruption. While this is relevant and important, the focus has been overwhelmingly on formal rules and how to reform them. While laws may look good on paper, their implementation is another matter. Uganda is a great example of this paradox: at one point it had the best anti-corruption laws in the world (with a score of 99/100 in one league table), and yet it ranked 142nd out of 175 countries in the 2014 Transparency International Corruption Perceptions Index. And while there has been an explosion of freedom of information laws, their implementation remains a pervasive challenge (Hanna et al., 2011).

One lesson that has emerged from ongoing anti-corruption research is that to better understand what is likely to work in combating corruption, it is essential to consider political and contextual factors, and to tailor anti-corruption measures to these specific contexts. Our study has sought to adopt this approach in exploring corruption in decentralised settings in Bangladesh and Nigeria, how that affects the way local governments deliver key services and perform core functions, and the extent to which anti-corruption efforts at the local level take context as their point of departure.

A second lesson is that anti-corruption initiatives work better when integrated into wider efforts to promote institutional reform. Undoubtedly, those committed to fighting corruption are increasingly aware of the need to develop a deeper understanding of the context (domestic, regional, international) and the factors driving corruption. But the default position continues to be towards approaches that shy away from the deeper political realities, power dynamics and social structures that perpetuate corruption. The research reported here connects the drivers of local corruption to its general finding that anti-corruption efforts in Bangladesh and Nigeria have had little local impact.

The main finding in this literature review is that important theoretical perspectives on both decentralisation and corruption have not yet been adequately connected in discussions on decentralisation's role in corruption and on anti-corruption. Existing approaches tend to emphasise different dynamics of corruption and the incentives that drive it, focusing on the implementation of decentralisation, collective action and political economy barriers to changing corrupt behaviour, and the emergence of local practical or social norms. But the question is not which conceptual approach to corruption to choose; instead, each may have something valuable to offer and prove analytically useful depending on context (Marquette and Peiffer, 2014). That said, the findings described in the following two chapters do suggest that principal–agent and fiscal-federalism-based approaches have been overly prominent in trying to understand the linkages between decentralised governance and corruption. In fighting corruption these can be profitably balanced with increased emphasis on these other areas of intersection.

4 Findings on decentralisation and corruption

This chapter synthesises findings from the country studies undertaken in Bangladesh and Nigeria. The findings reveal the nature of the linkages between decentralised governance and corruption, how these affect the performance and delivery of local level government authorities in relation to basic services and functions, and the extent to which ongoing anti-corruption efforts at the local level have been able to get traction around the challenges highlighted (for more detail, see the questions outlined in Chapter 1 and Annex 1 as well as the individual country reports).

4.1 Corruption in a decentralised governance context

Bangladesh and Nigeria feature substantially different systems of local governance, as well as forms and degrees of decentralisation. In Nigeria, federalism enshrines states as key players in shaping the functioning of local governments – themselves constituted as autonomous and democratically governed entities with responsibilities determined in the Nigerian constitution. The federal system sets out procedures for sharing national resources among the three tiers of government. The Nigerian system is therefore organised around a formal system that emphasises devolution, and is intended to set out significant devolved fiscal and administrative powers (Hassan and Iwuamadi, 2018, Sec. 2).

In Bangladesh, a largely deconcentrated, rather than devolved, system of governance extends central agency presence to local levels through a multi-tiered structure. A range of elected local council or mayoral institutions are layered on top of this structure, but these have very limited fiscal and administrative powers. Local government is heavily dependent on a centrally controlled budget and does not have control over human resources at the local level (Battacharya et al., 2018, Sec. 2).

Despite these differences in their formal set up, corruption is pervasive across the sectors and localities studied in both countries – though with some variations. To reflect the results of their fieldwork, the country teams

adapted the standard typologies of corruption along the lines of those presented in Table 5 and grouped their evidence on the main forms of corruption observed in the selected localities and sectors along four broad categories:

- bribery
- favouritism/nepotism
- fraud/embezzlement
- abuse of power/extortion

In Bangladesh, several important patterns emerged within these categories across the types of locality and the sectors studied (Battacharya et al., 2018, Sec. 5.3). The Bangladesh study compared municipal (urban) local governance with two tiers of rural government – the Upazila Parishad and the Union Parishad, which represent the most local rural local government institutions of those studied.

The first pattern was that local corruption tends toward the first three of the four categories identified, with bribery and nepotism seen as nearly universal forms of corruption affecting the implementation of education and social safety net services across all three types of administration. However, political influence over staff recruitment, targeting beneficiaries, the selection of contracts, and the use of School Management Committees and social safety nets for political gain also loomed large across local governance, blurring the line between nepotism and abuse of power. This reinforces the theoretical approaches that emphasise the multi-dimensional nature and dynamics of corruption, showing for instance that political and bureaucratic corruption are interlinked (Bardhan, 2006).

A greater range of corrupt behaviours were reported at the larger, Upazila Parishad level. This was attributed to there being a larger range of departments and responsibilities housed there. Municipalities fell in the middle of the breadth of corrupt behaviours reported, and the lowest unit of local government, the Unions, experienced widespread bribery in the education and social sectors. This local prevalence of corruption with significant impacts on poor beneficiaries highlights the

importance of disaggregating local corruption from overall rates. At Upazila and municipal levels this pattern was supplemented by fraud and embezzlement in the public financial management of construction and infrastructure projects (Battacharya et al., Sec. 5.3). Outside these typical patterns, many of these forms of corruption reportedly increased during elections.

A final important observation emerging from the Bangladesh study is that among the local administrations, distance from the corresponding centre – the 'Sadar' – appears to increase the reported prevalence of corruption. This pattern is driven in these remoter locations by increased propensity for officials, especially teachers, to engage in bribery to be transferred to schools near the centre area. In addition, there is weaker implementation of controls such as financial audit at greater distance from the centre (Battacharya et al., 2018, Sec. 5.3). This last point suggests attention to principal–agent issues such as difficulty of gathering information between principals and distant agents do have relevance.

In Nigeria, the country team did not undertake a comparison of different levels of local administration due to the single-tiered structure of local government below the state level. However, comparisons between rural–urban and elected–non-elected administrations were available. Many of the same forms of corruption were reported to occur across the sectors of focus, and across the urban–rural divide. In the financial management of construction projects, similar patterns of fraud and embezzlement appear through the use of substandard materials and incomplete project execution. Basic education is somewhat affected by bribery among teachers around recruitment, deployment and promotion. And while Nigeria did not have a social safety net component to the study as such services are still emerging, the examination of the local civil service found widespread reports of nepotism and bribery.

A phenomenon highlighted in Nigeria was 'silent' forms of corruption such as 'ghost workers' and 'absenteeism' – among both civil servants and education staff. Among civil servants, Enugu and Lagos state governments were shown to have potentially more ghost workers than actual workers among their local government payrolls, bringing the scale of the problem into sharp relief (Hassan and Iwuamadi, 2018, Sec. 3.4.3).

4.2   Impacts of local corruption

In the debate on decentralisation and corruption, it is often asserted that 'decentralisation just decentralises corruption' (see Smoke 2015a among others). While this may or may not be true in different contexts, there is no doubt that local corruption has concrete and broad impacts that directly affect ordinary citizens, and are likely to be particularly negative for poor or marginalised groups (Smoke 2015a; Rocha Menocal

et al. 2015). These impacts are evident both in the literature on corruption (Hoffman and Patel, 2017) and in our findings. The empirical findings on the impacts of corruption in Bangladesh and Nigeria for the specific sectors studied can be grouped into three types: impact on delivery of services; impact on the income or welfare of citizens and especially poorer groups; and erosion of state–citizen relations.

Corruption has concrete and broad impacts that directly affect ordinary citizens

Reported negative impacts on service delivery fell into three main areas: infrastructure, staffing, and targeting of services. Negative outcomes of corruption such as the use of cheap materials and incomplete and substandard work was widely reported in both countries (Hassan and Iwuamadi, 2018, Sec. 3.5; Battacharya et al., 2018, Sec. 5.6.3). In Bangladesh, 10%–20% of infrastructure project allocations must be paid in bribes to the ruling party leaders and activists to get the work orders. In the Union Parishad projects, 15%–20% of the allocations are reserved for the Mayor, engineer and town manager. The UZP engineer is paid 2%–3% of the allocation for the design preparation of local government support projects (Battacharya et al., 2018, Sec. 5.6.3). In Bangladesh, respondents referred to physical conditions at schools that negatively affect the quality of education and safety of students (Battacharya et al., 2018, Sec. 4.3.2.3).

An important dynamic captured by the research is that corrupt incentives to provide substandard infrastructure are increased by the subsequent need to then contract frequent repairs. This problem is evidenced by the fact that Bangladesh's infrastructure is among the costliest in the world (Battacharya et al., 2018, Sec. 5.1).

Corruption has significant impacts on the quality, capacity and presence of professional staff delivering services. These shortcomings are particularly prevalent in the primary education sector. Respondents in both Bangladesh and Nigeria highlighted bribery in transfers and promotion by teaching staff as widespread, indicating allocation of human resources is distorted. Both studies also highlight this problem to be more acute in the remoter or rural localities, suggesting it differentially affects communities that may already be marginalised (Hassan and Iwuamadi, 2018, Sec. 3.4.1). In Bangladesh, the researchers found a range in the average teacher–student ratio from 1:68 at the more remote and lower level localities compared to 1:26 across the central areas (Battacharya et al., 2018, Sec. 4.3). Moreover, schoolteachers are often under qualified, as they are not selected according to merit and professional criteria (Hassan and Iwuamadi, 2018, Sec. 3.4.1; Battacharya et al., 2018, Sec. 4.3). These problems

are worsened by widespread absenteeism and presence of 'ghosts' on public service rolls, particularly in education (Hassan and Iwuamadi, 2018, Sec. 3.4.3).

Services targeting is also undermined by local corruption. Citizens who are supposed to receive a service from the government either do not receive it at all or must pay bribes for it. Such bribes are most burdensome for poorer groups. In Nigeria, government-provided school books that are meant to be free or subsidised are scarce among teachers and learners, but can be found in the market for sale (Hassan and Iwuamadi, 2018, Sec. 3.4.1). In Bangladesh, approximately half of students and their families must bribe school personnel to obtain primary school stipends (Battacharya et al., 2018, Sec. 5.3.1.2).

It is a similar situation in social safety net programmes in Bangladesh. More than 50% of people in need of social benefits must pay bribes to be included on beneficiary lists (Battacharya et al., 2018, Sec. 5.3.1.3). But corruption does not stop there: for example, many beneficiaries in Bangladesh receive 15 kg of rice instead of 30 kg, or they are given another, cheaper product (i.e. wheat instead of rice). Fieldwork in Bangladesh showed that the size of these bribes may be between a third of the benefit in some social programmes, to more than half in the case of education benefits (Battacharya et al., 2018, Sec. 5.6.3).

The marginalisation of those most affected by corruption can contribute to a lower propensity to report it. They may be unaware of their rights or even the existence of social benefits, which facilitates the bias in selection of beneficiaries by councillors. For example, in Bangladesh many women in municipalities do not know about the provision of a lactating mothers allowance, and councillors take advantage of this to provide the allowance to people closest to them (Bangladesh country report, Sec. 5.3.1).

Selection of services or activities at local levels is also targeted for corruption. A key benefit of decentralisation is supposed to be responsiveness of services through their proximity to citizens. In Nigeria, the lack of consultation with local people provides further space for state governments to direct the allocation of local resources rather than local priorities. For example, in Enugu, respondents observed local government funds being diverted to the state football club (Hassan and Iwuamadi, 2018, Sec. 3.4.2).

Local corruption can also have a broader impact on the relationship between local authorities and citizens. Corruption damages citizen's trust in government, which can negatively affect revenue and tax collection. In Nigeria, practices such as fake projects to obtain allocations meant for budgeted projects, inflation of contracts, outright embezzlement of council funds, kickbacks on contracts or the non-execution of contracts, have made people think that the system no longer works for them (Hassan and Iwuamadi, 2018, Sec. 3.4.3). It also challenges the prospect of a merit-based society, and sees lost citizen potential due to a lack of opportunities.

Respondents in Nigeria point to bribery in hiring teachers or paying teachers who do not teach as one of the main threats to legitimacy (Hassan and Iwuamadi, 2018, Sec. 3.4.1). In local elections, corruption has an impact on social cohesion and political stability. In Bangladesh, rigging in local elections in 2014, 2015 and 2016, impunity of public officials who failed to perform their duties and candidates who breached the electoral rules, and the political appointment of the election commissioners, have created a lack of trust in the Election Commission (Bangladesh country report, Sec. 6.1). At the economic level, corruption increases the cost of public development, distorts market competition, and increases the costs of investment and economic activity.

4.3   Causes of decentralised corruption

These patterns illustrate that different forms of decentralised government can shape or introduce different patterns of corruption, but that on the whole similar problems emerge across diverse sectors and localities. In Bangladesh, a deconcentrated system creates patterns that become more pervasive and anti-poor the farther a specific locality may be from control institutions. In Nigeria, distortions in the implementation of devolution produce incentives for corruption. Based on this finding, it is important to distinguish between the manifestations of corruption – which may be similar – and the underlying drivers, which may vary according to context. This insight is important in considering anti-corruption measures as well. While the manifestations of corruption may appear similar, a disaggregated approach to understanding the underlying drivers is needed to identify the weaknesses in the system that allow corruption to emerge, and what norms may shape the patterns of that corruption.

However, evidence from both Bangladesh and Nigeria suggests that there are some common dimensions to the causes of corruption related to unclear or incoherent implementation of the intended formal system. They also suggest that corruption itself shapes that implementation. The experiences in both countries, with different forms of corruption at the local level, highlight a challenge across much of the developing world about how formal and informal institutions interact: formal rules may look one way on paper, but how they work in practice is much more a function of informal institutions and power dynamics.

Thus, in Bangladesh and Nigeria the **performance of the system of decentralised governance in recreating or controlling corruption, is less related to its formal arrangements than its 'real-world' implementation.** This again helps to highlight that a principal–agent approach to corruption and anti-corruption will be limited in important respects, as it focuses on formal accountability between actors without considering implementation challenges, capacities, and collective and normative dimensions of corruption.

In both Bangladesh and Nigeria, the research suggested that these two different decentralised systems of government are undermined and made susceptible to corruption through four main groups of factors:

- limitations on financial autonomy of local administrations
- limitations on political autonomy and confused or incoherent accountabilities at local level
- lack of implementation of available administrative mechanisms of control, or collusion in their application
- the inability of social norms at local level to combat collective action problems of corruption.

These factors highlight not only principal–agent but also collective action elements of corruption, and how corruption also acts to shape the implementation of decentralised governance.

4.3.1   Limitations on financial autonomy

The implementation of Nigeria's devolved federal structure of governance dramatically undermines the financial independence of local governments required for them to operate coherently. This structure creates the opportunity – even the need – for widespread, bottom-up forms of corruption to pervade relationships between states and local governments. The structure feeds multiple 'knock-on' forms of corruption. Nigerian local governments' difficulties in this area have four interlocking causes, all of which help to illustrate that corruption is both a principal–agent and a collective action problem.

The first relates to the implementation of financial grants earmarked for local government. In Nigeria, local governments are meant to have a clear set of responsibilities, and clear rights to corresponding fiscal flows from the centre. For example, in February 2017, a total of 96.52 billion Naira was earmarked for local governments collectively out of 514.15 billion Naira disbursed by the Federation Account Allocation Committee (FAAC) (about 19%). In theory, these funds would be the primary source of finance to support the plans compiled by local finance departments and ratified by elected or caretaker councillors (Hassan and Iwuamadi, 2018, Sec. 3.2).

However, in practice these flows are managed through a joint account controlled by state government that contains both state and local allocations. The actual figures released by state governments to local governments are not made public and the results of local government audits are typically only made available to local finance chairs (Hassan and Iwuamadi, 2018, Sec. 3.4.1). State governments' tight grip over local government transfers through the joint account and the resultant 'envelope system' completely undermines the autonomy of local governments to align finances with plans, budgets, and audits – key systemic brakes on corruption. This opacity results in a bottom-up

pattern of corruption to both achieve the release of funds and influence their subsequent allocation by local government to various projects and activities. Where local governments have questioned these reduced allocations, the usurpation of the political autonomy of local governments via control over local elections or the appointment of caretakers has been used to prevent action or even remove local officials (Hassan and Iwuamadi, 2018, Sec. 2.1).

This first weakness is, in some of the states studied, reinforced by a second problem in the implementation of devolved government in Nigeria. The Nigerian Constitution vests the power to effectively create local governments in both federal and state governments: while Section 7(1) provides the state the duty to 'ensure the existence' of local governments, Section 8 provides that local governments are not recognised by federal level until the National Assembly validates them. In effect, 'both levels of government must exercise their separate but complementary role to bring into being a local government' (Hassan and Iwuamadi, 2018, Sec. 2.1). As the incentives to do so differ between Federal and State level, some states have resorted to creating an alternative structure – known as Local Development Centres or Areas (LDCs or LDCAs) – purportedly to allow for improved grassroots development. In practice, funds intended for formalised LGAs are diverted to these structures, which also operate under appointed caretaker administrations under the control of the state. In Enugu and Lagos, the study team documented the extent of this problem: for example, in Enugu, '17 formal Local Governments *and* 51 LDCs share the money meant for the 17 LGAs' (Hassan and Iwuamadi, 2018, Sec. 3.2).

A third feature undermining local government financial autonomy is the way the structure of Nigerian government assigns significant revenue functions to local governments, often through the Constitutional 'concurrent' list of functions that shares these with state government. In these areas, and even many that are explicitly local functions, state governments intervene to collect many revenues, such as those related to waste collection, tenement fees and more. This leaves only a few very residual sources of internally generated revenue for local governments (Hassan and Iwuamadi, 2018, Sec. 3.4.2).

Finally, corrupt implementation of these limited financial resources at both state and local level further undermines the financial autonomy of local government. In all three states studied, what collection remains has been outsourced to collection services, frequently based on corrupt payments and fraudulent remittances, resulting in far from optimal collections (Hassan and Iwuamadi, 2018, Sec. 3.4.2). These phenomena put additional fiscal pressure on the civil service and local services, driving further instances of bribery and related corruption.

Restrictions on financial autonomy are also important drivers of corrupt behaviour at local levels in Bangladesh, though they take different forms. In Bangladesh's deconcentrated system local agencies of

central government depend on the money transferred by the central ministries for their service delivery and development of local projects. Sometimes funds transfers are irregular, delayed and insufficient. Even if fully expended, the level of local government allocation in Bangladesh is dramatically lower than that in Nigeria – averaging 6.2% of the national budget over the last five years (Battacharya et al., 2018, Sec. 4.3.1).

Moreover, under the deconcentrated system, Bangladeshi local governments do not have full autonomy to spend the revenues received, or collected locally through taxes or leasing rural markets. For example, the development of local infrastructure, a responsibility assigned to local government, is in practice implemented through central agencies (Battacharya et al., 2018, Sec. 3.1.1). Sources of revenue from land tax are curtailed at UP level through lack of control over land administration (Battacharya et al., 2018, Executive Summary). The scarcity of funding makes local institutions vulnerable to external funding needs and relationships of reciprocity that could develop in corrupt exchanges. As in Nigeria, a degradation of revenue responsibilities at the most local level, the UP, has occurred – for example, Union Parishads are reported to only retain some 5% of hat bazaar tax receipts, which removes any incentive for effective collection (Battacharya et al., 2018, Sec. 3.1.1).

Added to the restriction in funding is the weak autonomy of local institutions to decide how to use the money. In Bangladesh, by law the Annual Development Program grants received by local institutions must be used in sectors and to amounts specified by the central government (Battacharya et al., 2018, Sec. 3.1.1). This legal prescription limits the autonomy of local institutions to respond to localities' needs, potentially undermining the accountability posited to help fight corruption. As noted in the next section, political interference can also distort spending decisions.

This pattern of linkages between a lack of fiscal autonomy at local level and reasons given for corruption is supported by findings in the literature on corruption and local governance that support revenue autonomy as a positive factor in accountability and reduced corruption (Bardhan and Mookherjee, 2001). However, what is new about this analysis is the emphasis it lays on the implementation arrangements for decentralised governance and their effect on financial autonomy. Some of these implementation arrangements are undone by informal institutions – however, many are also weakened by simply overlapping or contradictory legislation and regulation.

4.3.2 Limitations on political autonomy and decision-making

In addition to financial autonomy, the clarity of political autonomy and decision-making power, and thus associated accountabilities, is weak in both Bangladesh and Nigeria, albeit for different reasons. Often the limitation of autonomy and power of local institutions is

facilitated or even mandated by law, or by lack of clarity in the law.

In Nigeria, as described, the functions of local governments cannot be exercised until the National Assembly of a state makes a law conferring those functions. This condition empowers state governments to usurp the functions of local councils and exercise them themselves, including collecting taxes and fees and issuing licences. The election of local authorities and their accountability is also a problematic aspect of the implementation of decentralisation. In Nigeria, the state government oversees the organisation of elections in local governments through the State Independent Electoral Commission, whose chair and commissioners are selected by the state government.

This study focused on the distinction between states that had implemented local elections and those that had not as an important variable for within-country case selection. At the time of the study, less than two-thirds of the states in Nigeria had held local government elections according to the terms of the 1999 Constitution. However, what the fieldwork showed is that whether elections are held or not makes little difference in terms of political autonomy, and similar patterns of corruption are reported across them (Hassan and Iwuamadi, 2018, Sec. 3.5). Thus, once again, formal institutions like elections that are in principle intended to promote greater accountability between (elected) government representatives and citizens may not work as intended in actual practice. The substance and quality of elections at the local level in Nigeria and whether they can serve as a mechanism for accountability are inextricably linked to broader institutional dynamics and the interests and incentives they generate at multi-level dimensions of governance.

Where elections have not taken place, 'caretaker committees are appointed and fired at will by the state governors' (Hassan and Iwuamadi, 2018, Sec. 2.1). This situation creates relations of reciprocity and dependency on the state government for funds and decision-making. On the other hand, where they are held, elections on their own do not solve the problem. The dominance of the State Independent Election Commissions (SIEC) over the election has bent the results in favour of ruling parties at state level. While limited research on the quality of local elections exists, that reviewed by the team found that they invariably:

> *Fall far below standards, especially in terms of representing the will of the people, providing possibility of alternation, providing the voters opportunity to make informed choices, and providing the candidates and parties a level playing field. (Hassan and Iwuamadi, 2018, Sec. 2.1)*

Beyond their lack of positive impact, other evidence from Nigeria suggests that the implementation of elections at various levels is subject to the spiralling 'cost of politics', and these are in fact important drivers of corrupt

behaviour (Olorunmola, n.d.). Similarly, in Bangladesh, Upazila Chairs spent between six and seven times the maximum allowable amounts on their election campaigns (Battacharya et al., 2018, Section 5.4). These expenditures have predictable knock-on effects on the propensity of elected officials to subsequently engage in corruption.

While Nigeria's lack of political autonomy and accountability at local level derives from weaknesses in the democratic decentralisation supposedly inherent in a devolved model, that in Bangladesh is related to the contradictory or incoherent accountabilities that arise from mixing local elected representation with a system of deconcentrated governance.

Broadly speaking, the way formal and informal institutions interact in shaping the quality and function of multi-level governance in Bangladesh prevents clear and coherent local accountability: 'effective decentralization of authority is yet to be established at the local level' (Battacharya et al., 2018, Executive Summary). There are two kinds of personnel in local institutions: locally elected representatives and public officials appointed by the central government. Those elected are the chairs, vice-chairs and members of the local councils, all of whom have the right to vote in decision-making while officials appointed by the government do not. However, the Battacharya et al., 2018 shows that although the appointed officials of the transferred departments at the local level cannot vote in the council meetings, they do not remain accountable to the elected representatives either due to the councils limited control over these departments' financing and work force.

Effective decentralisation of authority is yet to be established at the local level

Bangladesh's Constitution clearly establishes elected local government in all administrative units with powers of both revenue and expenditure to be determined by law. However, in practice, the legal framework for the roles and responsibilities of these groups is confused and contradictory. In Bangladesh, the local government system is regulated by a number of laws and several hundred 'rules' (Battacharya et al., 2018, Sec. 3.1). Interestingly, some study respondents – both elected and appointed – emphasised that their respective bodies followed the legal framework, but noted contradictions in these arrangements (Battacharya et al., 2018 4.2.1). While their first response to being asked if they follow the rules is to be expected (and is contradicted by respondents from civil society or beneficiaries), their focus on the incoherence in the system is notable as it suggests inconsistencies in formal arrangements may be important alongside informal institutions.

There are three main contradictions influencing clarity of accountability at the local level in Bangladesh, and these apply across the three levels of government studied. These contradictions or tensions help to highlight why it is important to understand corruption through both principal–agent and collective approaches, as well as decentralisation through approaches that emphasise the political economy of implementation.

The first contradiction is the relative inability of elected officials to hold those appointed to account. While aspects of the law – for example the Upazila Parishad Act 1998 – give local councils the power to appoint staff, this is undermined by a human resources management system that continues to vest the main performance review process in the parent ministries. Circulars are also issued that contradict the law, for example, preventing local councils from taking disciplinary action against local officials (Battacharya et al., 2018, Sec. 4.2.1). In practice, the central government has the power to appoint local institutions' staff, approve their salaries and manage their progression to a large degree.

A second contradiction is that local officials have limited control over key areas of influence and spending that are heavily influenced by members of parliament (MPs) and their party backers. While services like primary education are vested in the deconcentrated ministry departments – such as the primary education office – MPs and local officials can determine teacher transfers, opening opportunities for corruption in this area, something that was widely reported by respondents. Development spending is largely determined locally by politicians, who also exercise strong influence over the administration of key services studied – such as the selection of teachers and projects, and the identification of social safety net beneficiaries (Battacharya et al., 2018, Sec. 5.4).

At the Upazila Parishad level, where the widest variety of corruption was noted, MPs are advisors by law. But in practice, they often transcend their advisory capacity and make or influence decisions. UZPs in practice follow local MPs' suggestions, and they must inform MPs before contacting the central government. For example, sometimes MPs and other influential people like the UZP chair independently decide on the projects that will receive local funding (Battacharya et al., 2018, 3.1.1).

Regarding social benefits programmes, while members of the UZPs oversee the initial beneficiary list, MPs also nominate beneficiaries. Connections and personal interest create a bias in beneficiary selection, opening the door for multiple corrupt exchanges to shape beneficiary selection for political purposes or encourage bribery (Battacharya et al., 2018, Sec. 5.3). Background research by Transparency International Bangladesh confirms that more than half the beneficiaries for social safety net programmes are victims of corruption (Battacharya et al., 2018, Sec. 5.3.1.3).

Elected representatives' ability to influence appointments also creates opportunities for corruption to infiltrate key mechanisms of local accountability. While primary education is the responsibility of the

deconcentrated primary education offices, School Management Committees (SMC), established by law in 1981, are intended to provide oversight of the running of schools and construction of education facilities. However, political influence by MPs or elected councillors through their ability to appoint SMC members and chairs has created an arena of competition for appointments to SMCs, with its associated bribery. The appeal of control over the SMC in Bangladesh is access to the funds that Committees receive under various national education programmes (such as Teaching-Learning Materials (TLM), and the School Learning Improvement Plan (SLIP)). Control over SMCs gives MPs indirect influence over decisions about the appointment and transfer of teachers, monitoring of works, or even the distribution of books (Battacharya et al., 2018, Sec. 5.3).

The third area of incoherence in local accountability in Bangladesh flows from a lack of coordination among the various leadership roles at local level, highlighted particularly at the important Upazila level. The roles of different decision-makers actors within the public sector have been defined over time by the overlaying of separate legislation rather than an integrated approach (Battacharya et al., 2018, Sec. 7.1.2-3).

This problem manifests between:

- local council chairs and vice-chairs (particularly as they may have competing party affiliation)
- elected representatives and the coordinating officer at local level (the UNO at Upazila)
- the coordinating officer at local level and the line staff of the deconcentrated ministries.

The complexity of procedures is another risk for corruption. In Bangladesh, one problem mentioned by officials and elected members was that there are too many regulations, and that it is difficult to follow them all – especially in development activities. Some respondents highlighted the incapacity of some chairs and members to understand the rules and guidelines as directed by the Acts, due to a lack of education. Excessive and hard-to-understand regulation might well result in alternative unregulated ways of doing things, feeding the development of corruption-enabling norms (discussed in the next section).

Since the 1990s, the developing world has experienced a growing tide of democratisation. The hope that democratic reforms would improve governance and reduce corruption has also been manifest in support for democratic decentralisation – the introduction of elected mechanism of accountability and political autonomy at local levels. In principle, regular elections, a system of checks and balances, and a society free to organise should provide important incentives for politicians to deliver and be held accountable for their actions. However, the confusion and contradictions in the actual implementation of these provisions in Bangladesh and Nigeria, and the kinds of dynamics and incentives this generates have profoundly

undermined the potential for elections to act as effective mechanisms for accountability at the local level.

4.3.3   Lack of or captured implementation of the available mechanisms of accountability

A strong theme that emerged in both countries is weak implementation of existing control or accountability mechanisms, even when these are provided for in existing law or regulation and local actors are aware of them. In both countries, there are systems for local financial audit and regulation of the civil service, but these systems are not adequately implemented or are controlled by special interests through the kinds of corrupt processes described above. This weakness in implementation affects mechanisms of both upward accountability or downward control, and downward accountability to citizens.

In Bangladesh, the Office of the Comptroller and Auditor-General has responsibilities for audit of local government bodies, but key informant interviews suggested inadequate human resources to carry out these local audits. While external audits were reported by all Upazila Parishads, Union Parishads and municipalities, internal audits took place in only a few localities (one out of the six studied) – though more in some sector departments (i.e. in Upazila social welfare offices, but not education) (Battacharya et al., 2018, Sec. 6.2.5). Despite being mandated, neither of the studied Union Parishads had provisions for internal audit. And even where audits take place, the powers of local government institutions to address irregularities are not exercised (Battacharya et al., 2018, Sec. 6.1.4), meaning outcomes are unclear at best.

Nigeria also has strong provisions for local government audit, albeit along a devolved rather than deconcentrated model. Interviews with local government auditors highlighted an awareness of the constitutional mandate of the Auditor General of the Local Government to carry out and act on regular audits of the local government by notifying councils and imposing sanctions. However, this mandate is limited by the 'overbearing influence of the principal [Governor] who appoints the auditor general' (interview with key informant), in effect extending the political interference described above into financial control. While direct evidence was difficult to elicit, the collective reporting showed a pattern of complicity by local government auditors in the practices outlined above around the payment of the local government transfers, project selection and revenue collection (Hassan and Iwuamadi, 2018, Sec. 3.4.2). In Nigeria, then, the strong devolution of audit functions appears to enable capture of control functions by the same top-down corruption dynamic that emanates from state government dominance in other areas, rather than enabling local oversight.

Both Bangladesh and Nigeria also have laws and regulations in place to control the behaviour of civil servants. In Nigeria, the Code of Conduct Act and the Civil Service Handbook perform this function at federal, state and local government level. However, the study showed that even awareness of this framework at local

level was very limited, and induction into it among employees absent (Hassan and Iwuamadi, 2018, Sec. 3.4.3). In Bangladesh, disciplinary and code-of-conduct rules also exist with specific focus on local government institutions, but the dependence of these on oversight by either the Monitoring and Evaluation Wing of the Local Government Division or the Office of Comptroller and Auditor-General leaves them effectively unmonitored (Battacharya et al., 2018, Sec. 3.3.3).

As well weak and uneven implementation of these top-down mechanisms of control, both Bangladesh and Nigeria's local administrations lack effective *bottom-up* forms of accountability. Such accountability can be broadly grouped into electoral (representative) and participatory means. In the former area, elections are intended to provide a check on performance and corruption. As seen in the earlier discussion on Nigeria, local government elections are not fully implemented, and where they do take place, they are often captured by the political dynamics of the state level. Through an extensive review of media coverage, the Bangladesh study found that the appointment of local election commissioners prevented the effective control of election violence. Moreover, respondents – especially at the local Union level – reported that elections were essentially non-competitive, with the main area of competition limited to securing party nominations prior to the electoral process (Battacharya et al., 2018, Sec. 6.1.3 and 7.1.5).

As elsewhere in the developing world, significant participatory means of accountability also exist in both countries. The promise that more enlightened and engaged citizens demanding greater accountability around issues they care about can have a decisive impact on the quality of governance has led to a mushrooming of transparency and accountability initiatives. These initiatives cover a plethora of issues that range from corruption and access to information to budget processes and service delivery (Rocha Menocal, 2013).

In both Bangladesh and Nigeria, one such initiative includes provisions for more open local budgeting. In Bangladesh, there are various standing committees to involve citizens, open budget meetings, and town and ward coordination committees. However, these meetings are not held regularly, attendance is restricted to party notables, and budget approval is taken at higher levels and doesn't reflect consultations when they occur (Battacharya et al., 2018, 7.1.4). Other mechanisms, such as citizens charters and Right to Information, were widely reported by local governments in Bangladesh but practical steps such as the identification of a Right to Information focal point were nearly universally absent (Battacharya et al., 2018, Sec. 6.2.5). In Nigeria, the strong form of federalism means states do not even recognise that Freedom of Information legislation applies to them and, by extension, to their local governments. We need to grapple with the underlying politics if we are to understand how these kinds of participatory initiatives work in practice and their efficacy.

4.4   Social norms around corruption

In Nigeria, local government corruption is euphemistically referred to as '*egunje*', a Yoruba term that refers to 'illegal offers' but which has been expanded to encompass many aspects of daily experience including non-adherence to policy provisions, conspicuous consumption and lifestyles, political interference, and the results of low public-sector wages. Elected politicians interviewed referred to societal demands that outstrip their means, and focus groups emphasised the need for awareness-raising among younger people – rather than adults, who have most likely already internalised corruption as a norm. Our review of background studies in Nigeria also found that, while a majority of people reject most forms of corruption, a third of people studied consider that nepotism in recruitment is acceptable (Hassan and Iwuamadi, 2018, Sec. 3.3).

The Battacharya et al., 2018 identified specific areas where corruption has been 'normalised'. A widespread expectation among those interviewed as part of our fieldwork is that access to social safety net services require bribes. This internalisation reinforces findings from by other studies of corruption in Bangladesh which suggest that more than half of beneficiaries engage in such forms of bribery.

The sense from interviews and focus groups is not that individuals are do not see that such practices are problematic, but rather that the perception that 'the majority engages in such corrupt practices makes it easier to justify their own corrupt behaviour' (Battacharya et al., 2018, Sec. 5.5). The study team provides an interesting explanation for this, noting that giving money as such may not be perceived as corrupt but 'giving money and not receiving the expected service in return' is (Bangladesh study team, personal communication). Similarly, officials who attempt to escape the acceptance of bribes face ostracism.

4.5   Linking theory to reality: explaining local corruption

While the findings from the two country studies are diverse, four common themes emerge.

First, **the performance of decentralised governance in controlling corruption is related less to the formal features of decentralisation than to its 'real world' implementation, which itself is shaped by both formal and informal institutional relationships**. In both Bangladesh and Nigeria, corruption was not driven so much by one or another form, or degree, of decentralisation as by the failure to implement a coherent structure for the form of decentralisation intended in the constitutional and legal framework. In both countries, the implementation of fiscal frameworks provides a fundamental opening for corruption, undermining the autonomy needed to generate potential accountability. This finding does not provide

an answer as to whether a more coherent framework would successfully create that accountability and reduce corruption, but it clearly highlights the effects of a disjuncture between intended control over resources and the actual practice of that control.

Secondly, **elections and other formal measures for participation are not sufficient in and of themselves to promote effective accountability**. Both study countries, though different in their devolved and deconcentrated models, formally provide for electoral accountability over local government decision-making. However, in practice, these mechanisms are either not implemented or, where elections do take place, they do not seem to have much of an effect in reducing corruption. On the contrary, there is evidence that electoral politics has in fact deepened some drivers of corrupt behaviour. The findings suggest that, without considering the links between political and administrative decentralisation, local elections should be treated with caution. This finding reinforces perspectives in the literature on decentralisation, corruption, and governance (Rocha Menocal 2013; Rocha Menocal et al. 2015**)**.

Thirdly even before specific anti-corruption initiatives are considered, **formal top-down mechanisms like financial management and civil service controls, as well bottom-up approaches around citizen participation, all have limitations in combatting corruption effectively at the local level**. Opportunities for corruption easily influence and capture bureaucratic as well as social means for control and prevention. This problem seems to be present whether anti-corruption provisions are projected via deconcentrated or devolved structures. The problem may also be more acute at greater 'principal-to-agent' distances and is reminiscent of distinctions in the theoretical literature between the 'enactment vs enforcement of law' (Bardhan, 2006: 342).

Lastly, our research **did not uncover evidence of full 'normalisation' – that is, the widespread normative acceptance of corruption – but did show that perceptions of collective behaviour are very important in shaping individual attitudes and propensities to engage in corrupt behaviour**. Findings from the country studies suggest that there is an understanding among both officials and citizens of the problems corruption presents for the countries in question, but also an awareness that the costs of individual non-adherence to the system are a strong barrier to behaviour change. As such, the general findings from the two studies cannot provide unequivocal confirmation of the normalisation of corruption, whereby those involved in corrupt practices view the practices as acceptable. Rather, our research reinforces a collective-action approach in which perceptions of the behaviours of others is a key determinant of individual decisions around corrupt behaviour. Further research might be warranted on the functional roles that corruption plays in overcoming the incoherent decentralisation reforms outlined in this report.

Together, these four findings provide strong support for an approach to decentralisation and corruption that considers carefully: the political economy of actors in a decentralised system; the coherence of that system; and gaps in implementation. The coherence of decentralisation policy and implementation are more important than the broad formal features of the system.

Our findings also demonstrate why it is important to understand corruption from principal–agent, collective action, and norms-based approaches alike, and to have a better appreciation of the linkages between these different conceptions. These perspectives should steer analysis of decentralisation and corruption away from descriptions of the accountability relationships inherent in principal–agent analyses toward factors such as:

- the nature and quality of political leadership across different levels of governance
- the functioning of intergovernmental relationships across tiers of government
- the autonomy enjoyed by local governments and whether they have resources and/or capacity to match
- the coherence of structures across political, administrative and fiscal dimensions
- the nature of political parties and how committed they are to decentralisation and participation at the local level
- pressures for increased accountability at different levels of governance.

A more fruitful approach to understanding the role of decentralisation in corruption is therefore likely to begin with this practical, implementation-focused lens on decentralisation, rather than incentive-based approaches that focus on the formal rules making up the constitutional structure.

5 Findings on fighting corruption in decentralised governance

The Anti-Corruption Evidence Programme aims at not only better understanding corruption but also at the effectiveness of anti-corruption measures and ways to improve them. In the context of this study, this means understanding the effectiveness of various measures against local corruption. This chapter first examines what the country studies in Bangladesh and Nigeria found regarding the impacts of the localised corruption identified, and then summarises findings on the effectiveness of the specific, local-level anti-corruption measures studied. It concludes with some implications for anti-corruption programming.

5.1 Decentralised anti-corruption initiatives

As outlined in this report's introduction and Box 2, the studies included in this project both reviewed the general anti-corruption context in Bangladesh and Nigeria, and then looked more closely at specific anti-corruption approaches with potential local impact. These initiatives were:

Nigeria
- Local Government Civil Service Rule
- Auditor-General of Local Government
- School-based management committees

Bangladesh
- Local Anti-Corruption Commission (ACC) outreach
- Transparency International Bangladesh Conscious citizens committees
- School Management Committees

As described in Chapter 3, the studies also examined in some detail the relevance of what could be called 'core governance' or control functions such as audit and civil service rules. The studies found that relevant rules and provisions do exist, and there is some awareness of them, but their implementation is either heavily captured or non-existent. This further highlights the importance

of understanding implementation in practice when considering the impact of decentralised governance on corruption, and is reinforced by findings from the study of targeted corruption.

Both Bangladesh and Nigeria have clearly identified corruption as a problem and have national policies and international commitments in place reflecting this recognition. The question explored in this research is whether and how these local anti-corruption initiatives that are rooted in a firm understanding of how these corruption dynamics work and why. On paper, both Bangladesh and Nigeria are extremely well equipped to tackle corruption. However, as the analysis of how corruption works in both settings shows, this does not say very much about how anti-corruption efforts work in practice, which seems less promising.

Nigeria 'seems to be very good in enacting laws, policies and initiating measures … at national level which are expected to trickle down to the sub-national level' (Hassan and Iwuamadi, 2018, Sec. 2.3). An early signatory to the United Nations Convention Against Corruption (UNCAC) in 2004, Nigeria has multiple anti-corruption agencies in operation. Chief among these are the Independent Corrupt Practices and Related Matters Commission (ICPC), Economic and Financial Crimes Commission (EFCC), and the Code of Conduct Bureau. These agencies exist within a reasonable legislative framework centring on the 2000 Corrupt Practices Act and other enabling legislation (though there are some issues with the independence of the EFCC) (Hassan and Iwuamadi, 2018, Sec. 2.3). Ironically, this level of institutional attention to corruption may have muddied the waters, with the overlapping mandates of these institutions considered a problem in its own right (Hassan and Iwuamadi, 2018, Sec. 4). The National Anti-Corruption Strategy (NACS), only adopted in 2017, aims to clarify the role of these stakeholders, but its implementation will be challenging.

Nigeria's anti-corruption commissions are little understood – never mind felt – at local government level, a finding supported by the dominance of federal-level cases among the limited successful prosecutions that have

taken place (Hassan and Iwuamadi, 2018, annex). This phenomenon seems to be driven by the same strong state autonomy created under federal institutions – the anti-corruption agencies are enabled, staffed and controlled by Federal legislation and entities and therefore seen to be of limited relevance below state level by the states themselves (Hassan and Iwuamadi, 2018, 2.3). Here there is a potential link between specific forms of decentralisation under federalism and the limited potential for nationally focused anti-corruption agencies to have local impact.

At the same time, civil-society and social accountability measures are largely absent. There was little evidence of locally active anti-corruption NGOs, and the School-Based Management Committees (SMBCs) were not present in much of the country – and donor-driven where introduced. As explored in the previous chapter, SBMCs did not prevent widespread embezzlement, nepotism and bribery around teacher management and exams. By default, the main bulwarks against corruption with real presence locally were the auditing and civil service provisions, with the weaknesses and co-optation described in Chapter 3.

In Bangladesh, the study identified a range of legal, institutional (agency) and non-state measures aimed at curbing corruption, and unlike Nigeria, many of these do have tangible local reach. A plethora of legal instruments and regulations with anti-corruption content exist (the study identifies 29). Furthermore, the country has signed the UNCAC, and introduced a National Integrity Strategy identifying 10 state and 6 non-state institutions to support it. At local level, however, it provides for only very cursory steps (increased resourcing of LGIs and capacity building) (Battacharya et al., 2018, Sec. 3.3). Chief among the anti-corruption agencies is the Anti-Corruption Commission (ACC), which has an important limitation in its requirement to seek government approval before filing cases against public officials (Battacharya et al., 2018, Sec. 3.3).

The ACC has clearly mandated subnational reach, being responsible to both form Corruption Prevention Committees (CPCs) at district, Upazila and municipality levels, and arrange public hearings at those levels. Awareness of these committees and several other anti-corruption initiatives at local levels was high, with four out of the six localities studied having CPCs (Battacharya et al., 2018, Sec. 6.1.2). These local committees focus largely on awareness-raising activities such as marches and rallies, workshops and other means (Battacharya et al., 2018, Sec. 3.3.2). A recent memorandum of understanding between the ACC and Transparency International Bangladesh reinforces the capacity for these types of efforts through the formation of Conscious Citizens Committees.

However, despite these functions, there are considerable organisational issues with Bangladesh's ACC (beyond the limitation on its independence). Transparency International Bangladesh has raised concerns about the level of staff capacity in investigation, and the agency has a very limited budget (2.65%)

for prevention, education and outreach, and none for research. The local committees are largely self-financed and operate without staffing or offices, and their activities are thus often 'occasion-based' (Battacharya et al., 2018, Sec. 3.3.3). As detailed in Section 3, other measures focused on core governance such as audit and the Right to Information, are either captured, unimplemented, or lack local focal points.

In both education and social welfare sectors, the ACC at national level claimed to have dedicated staff and initiatives to monitor primary education and the delivery of social safety nets at local levels. However, focus groups with parents and journalists did not recognise the presence of these efforts (Battacharya et al., 2018, Sec. 6.5).

Civil society and media actors are more present and active at the local level in Bangladesh than was observed in Nigeria. While there was limited awareness among respondents of the Concerned Citizen Committees and Youth initiatives, the media plays an active watchdog role locally. Concerns are arising over limitations on the freedom of the press through amendments to acts such as the Information and Communications Technology Act (2006), which make it easy for journalists to be arrested even without warrant (Bangladesh country report, Sec. 6.3.2).

5.2 Fighting local corruption

The research in Bangladesh and Nigeria reinforces three cross-cutting findings about anti-corruption measures. The first is that corruption at the local level has several interrelated impacts across infrastructure, staffing and allocation that are likely to affect poorer and more marginalised groups especially hard. At the same time, both countries recognise the problem of corruption in a range of international, national and, to some degree, local legal, organisational and regulatory ways.

However, the effectiveness of these approaches at the local level is limited. The main issue is not the existence of these means to fight corruption, but their lack of implementation – or in some cases the incoherence of different legal and regulatory frameworks. Creation of new laws, policies and organisations therefore seems unlikely to contribute to solutions.

National anti-corruption agencies confront the same issues of budget, capacity and reach as other underfunded parts of government in developing countries. As a result, their presence does not tend to have much impact beyond awareness raising and campaign or event-based programming. This approach is unlikely to work: as Chapter 4 shows, people tend to be aware of corruption and recognise it as a problem. Instead, the challenge seems to be that the dynamics inherent in the political economy of decentralisation and incoherent local governance create and recreate opportunities for corruption and its persistence, and awareness-raising is not sufficient to address what are essentially collective action problems that make corruption systemic.

6 Conclusions and implications

This synthesis report presents findings about the relationships between decentralised governance and local corruption that emerged in the case studies from Bangladesh and Nigeria, and the performance of anti-corruption initiatives at the local level. We summarise below the key conclusions arising from this evidence, and their implications for making anti-corruption initiatives more effective.

6.1 What have we learnt about decentralised governance and local corruption?

This research has attempted to link the theoretical and empirical knowledge we already have on decentralisation and corruption with a disaggregated examination of that interaction in a limited number of country, subnational and sectoral spaces. In doing so, it supports two important general findings for better understanding and fighting corruption.

The first is that there are that the **different theoretical perspectives adopted by researchers and policy-makers help shape expectations and evidence on the relationship between these two concepts, and there are gaps in these perspectives**. Both decentralisation and corruption have been addressed through several different – though potentially complementary – theoretical approaches. Decentralisation can be understood as a problem of public sector organisation within a principal–agent framework, but can also be seen as a process within a complex political economy, and as an implementation challenge within a broader system. Corruption, has also been viewed as a principal–agent problem, a more systemic collective action problem, and as evolving social norms. When these different perspectives are placed next to each other, it becomes clear that the bulk of analysis on the relationship between decentralised governance on corruption has been located where the principal–agent approaches meet, or where the principal–agent approach in one area interacts with a political economy approach in the other (Table 6).

However, the qualitative findings of this research suggest that there is a case for reorienting analysis of corruption in decentralised and local settings towards different approaches. These additional lenses emphasise:

- the political economy and coherence of implementation of decentralised systems within a broader system of governance;
- collective determinants of corrupt behaviour such as incentives among levels of government, and to some degree the translation of these into functional or social norms.

According to the analysis introduced in Chapter 3, this reorientation would highlight issues of structure and forms of political competition, implementation and coherence of decentralised governance, bureaucratic barriers and coordination challenges, and the political discourse and social or functional norms around corruption (represented in the adjusted Table 7 by green shading).

Table 7   Reorienting theoretical perspectives linking decentralisation and corruption

		Approach to corruption		
		Principal–agent	Collective action	Social norms
Approach to decentralisation	Fiscal federalism	• C=M+D-A	• number of decentralised units • mobility of people	• perceived local 'functions' of corruption
	Political economy	• extent of local capture • local accountability	• bureaucratic incentives and barriers • coordination challenges	• political drivers and discourse around decentralisation
	Decentralisation systems	• structure of political competition • coherence of decentralised system	• accountability enabling factors (media, political accountability) • 'industrial organisation' of corruption • implementation gap	• normalisation • practical norms • social costs of participation/non-participation

The second, more empirical finding of the research is that **the performance of decentralised governance in controlling corruption is less related to the formal features of decentralisation than its 'real world' coherence and implementation.** This finding manifests itself in three main ways in the countries studied:

- **Decentralisation as implemented may not support the financial autonomy of local governments, generating inter-governmental or multi-level drivers for corruption.** It is common in the actual implementation of decentralisation for there to be a mismatch between the mandated powers and responsibilities of local governments and the fiscal framework to support them. In Nigeria this was clearly manifested in the extreme dependence of LGAs on state fiscal discretion and influence, creating a bottom-up system of corruption with many knock-on effects. In Bangladesh, the weak fiscal arrangements inherent in its deconcentration undermined the creation of local accountability from elected bodies.
- **Clarity of political autonomy and decision-making power, and associated accountabilities, is often weak, creating ambiguities and openings for corrupt behaviours.** Despite devolved powers, Nigerian LGAs were politically captured by the state, while Bangladeshi local authorities featured an unproductive mixture of local and central accountabilities. In neither case had electoral accountability or participatory democracy shown itself as effective.
- **Decentralisation as implemented often creates weaknesses in the financial, organisational and individual capacities to implement existing rules and systems that should provide a brake on corruption.** In both countries studied, there were strong provisions for controls such as audit and civil service regulation, but these were not implemented locally, or where implemented, were captured by the other dynamics just described.

This implementation-oriented approach allows for an understanding of corruption as not only a consequence, but also a cause of poorly implemented decentralised governance. It allows the effect of corruption on decentralised governance to be explored as well as the reverse. These general dynamics appeared across the research, but behind them lie different specific patterns. The problems of fiscal and political autonomy that emerge have links to the interaction between formally devolved and deconcentrated systems and their implementation. An important observation that might be made here is that **just because corruption manifests itself in familiar forms across different settings does not mean that it has the same drivers behind it.** Bribery in primary education, or fraud in contracting, may be widespread across contexts, but the means to fight them may need to take account of the system of governance behind them in each of those contexts.

6.2 Improving the effectiveness of anti-corruption initiatives at decentralised levels

Before turning to anti-corruption, it is important to reinforce that the research demonstrates **that local corruption has concrete and broad impacts that directly affect ordinary citizens, and are likely to be particularly negative for the poor or marginalised.** The forms of corruption reported across the localities and sectors studied have impacts on the quantity, quality and targeting of services through distortions in infrastructure, staffing and selection of beneficiaries. They also directly impact the poor through the necessity and scale of bribery to access services. Finally, local corruption can be damaging to a wider range of state–society relations that in turn can damage the capacity of the state to administer its services.

While there is a strong recognition in law and policy of the problem of corruption in both Bangladesh and Nigeria, our research suggests that there may be a significant mismatch between many of the approaches taken and what we have learned about the drivers of local corruption in decentralised governance settings. Returning to the anti-corruption approaches outlined in Chapter 2, the countries each had adopted a range of structural (including the formal measures of decentralisation itself), direct (anti-corruption agencies) and indirect (law and regulation) measures. The weaknesses of the structural controls on corruption have been outlined above, and suggest that **decentralised government can combat corruption only if the coherence of its implementation is improved.** In the absence of coherent underlying decentralisation, control and compliance measures will not be effective.

The research found that the presence of anti-corruption agencies was little felt locally, and where it was the agencies were under-funded and lacked the capacity or independence for direct local intervention, or were focused primarily on awareness-oriented activities. However, contrary to awareness-raising approaches that seek only to correct the 'normalisation' of corruption, the qualitative findings of the study suggest that people recognise the negative effects of corruption but that functional and collective action factors are important in shaping individual attitudes and propensities to engage in corrupt behaviours.

Laws and regulations – such as those on audit and civil service conduct – do exist, but these are weakly implemented, even when local actors know about them. In some cases, these measures are undermined by the structural weaknesses in fiscal and political autonomy leading to their capture; in others, the preponderance of laws and regulations can itself be a barrier to their implementation at local levels. This situation suggests that **indirect approaches to controlling corruption are weakened by structural weaknesses of the system, and new laws and regulations are therefore unlikely to overcome this problem.** A related conclusion is that, while local engagement through civil society and media is certainly an

advantage, this advantage must be channelled through the contribution of these enabling factors to a more coherent overall system of local governance.

These findings lead to a number of recommendations to support anti-corruption efforts with a focus on local corruption:

- Anti-corruption efforts need to be grounded in an approach that **combines principal-agent, collective action, and social norm-based understandings** of corruption.
- Structural reform and anti-corruption efforts should pay closer attention to the need to **build coherence of governance arrangements across different levels and the political, administrative and fiscal dimensions of governance**. Among other things, this calls for efforts to combat corruption at the local level to include measures that:
  - **improve the clarity of fiscal powers and alignment of fiscal autonomy with intended functions and accountabilities.** Concrete steps include ensuring that grant mechanisms are implemented as intended and are free from procedural interference, revenue powers are well regulated and outsourcing limited, and participatory budgeting processes are reflected in budget outcomes.
  - **clarify the degree and form of political autonomy so as to create clear(er) local accountabilities.** This may require reformers to support more autonomous local politics (more independent electoral administrations, autonomous selection of participatory bodies such as School-based Management Committees) in the case of devolved

approaches, or clearer accountabilities where deconcentration is the model.
- Direct approaches to corruption – such as anti-corruption agencies – need to include provisions to **fund and empower local offices of those agencies to perform appropriate actions locally, and to do so in an independent and autonomous manner.** As a default or residual approach, awareness raising will have limited impact, and increased budgets and capacity to carry out investigations may be more appropriate.
- Indirect, legal or regulatory approaches **may not require additional formal laws, policies or regulations**. In fact, simplification and clarification of these measures may be more appropriate, as well as their connection to more empowered direct approaches just outlined.

6.3   A note on further research

This report reflects a largely qualitative investigation of the forms, dynamics and drivers of corruption at local levels. There are opportunities to bolster these findings with further research to better understand the various forms of weak decentralisation that occur in the real world, and their role in driving corruption. As the findings here are quite negative on the local impact of many anti-corruption approaches, examples of effective local anti-corruption agency activity need further identification and documentation. Finally, research can clarify the kinds of law and regulation that are easiest and most effective to administer at local, rather than national levels.

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Annex 1 Detailed research questions

Multi-level governance and decentralisation

- How has decentralisation evolved and what is the nature of governance dynamics and relationships?
  - What is the relationship between the political, administrative, and fiscal dimensions of governance? Are formal decentralisation frameworks aligned with informal rules and practices? Are there unfunded mandates? Dual subordination? Issues of implementation?
  - What are the upward, downward and horizontal accountability relationships?
  - Other challenges?

- How is public financial management structured at this level?
  - What are the roles and responsibilities for managing local finances (planning, budgeting, spending, reporting/audit)? Are they clear? What are the areas of ambiguity or lack of clarity?
  - What are key accountability relationships for public financial management locally? How do they function?
  - What are the sources of local finance? How do they compare with central or higher tier finance and spending?
  - Do these roles and responsibilities function as they are on paper? What are the formal and informal institutions that guide the processes?

- How does the governance system perform in basic education?
  - What are the roles and responsibilities for providing basic education? Are they clear? What are the areas of ambiguity or lack of clarity?
  - What levels of discretion, information and transparency have the actors in the system?
  - How is basic education financed?
  - What are the key accountability relationships for basic education locally?
  - Do these roles and responsibilities function as they are on paper? What are the formal and informal institutions that guide the processes?
  - What are the biggest challenges in basic education provision in the locality?

Corruption

- How does corruption manifest itself and vary at different levels and localities at the subnational level in relation to our target sectors and functions?
  - What are the key features and forms of corruption found?
  - How is it organised and why does it function the way it does? For example, what is the directionality of flows of resources; and what are the primary sources of rents or other gains?
  - What is the eventual distribution of the rents in different forms of corruption?
  - What is known about the magnitude of the gains/losses from corruption?
  - How are these specific forms of corruption connected to wider governance and corruption issues at different levels?

- What are important impacts and effects of these forms of corruption? Does the cost of corruption affect certain groups disproportionately?

- What is the impact of these forms of corruption specifically on education and PFM at the local level (secondary relationship: corruption's relationship to governance)?

Understanding multi-level governance relationships to corruption (first relationship)

- What governance factors (both formal and informal) influence observed corrupt practices at the local government level?
  - Are there aspects of the public financial management system including the sources of finances that relate to corrupt practices? (e.g. do unfunded mandates lead to corrupt practice to raise revenue?)
  - What areas lack transparency and why, and to what effect on corruption?
  - How do the accountability relationships described above influence corrupt practices (for better or for worse)?
  - How do relationships between different levels of government shape corruption?
    - Administrative system – appointments, civil service etc.
    - Competition for power and patronage systems
    - Accountability dynamics and checks and balances, both formal and informal
    - Formal mandates vs informal practices
  - How do *intra*governmental relationships among different bodies shape corruption?
  - What kinds of competition for power and resources are there? How do electoral processes influence corruption in these areas?
  - Where do domestic pressures to fight against corruption come from, and how are these organised? e.g. non-governmental organisations, civil society organisations, social movements, political parties? How are these pressures supported and sustained at different levels of governance?
  - What characteristics specific to education and PFM at the local level may contribute to or constrain these forms of corruption?

- What is the political and social context in settings to be studied?
  - Are there significant social cleavages, and what are they? How have these evolved over time? Have they changed or remained fixed? Why?
  - What other aspects of the context are important (population, density, connectivity, geography)?
  - What are the significant social and cultural norms around corruption among different stakeholder groups? What views and norms are prevalent around these forms of corruption? How is it reported on, if at all? How do different stakeholders describe it?
  - What historical factors might be important? (e.g. Is there a link between the history of the creation/political economy of subnational units and the development of corruption?)
  - What transnational and national factors are important?
    - aid
    - MNCs
    - international frameworks/accountability – Open Government Partnership, Millenium/Sustainable Development Goals, Extractive Industries Transparency Initiative, United Nations Convention Against Corruption.

Anti-corruption measures and their relationships to corruption (second relationship)

- Has anti-corruption been a priority over time in Bangladesh and Nigeria? What kinds of approaches have been most significant or relevant, and what have been the main drivers/levers for these? Who have been the main actors involved in anti-corruption (government and its different branches and levels, donors, organized or more informal groups in society; a combination of these?)
- What implicit or explicit theories about corruption inform anti-corruption initiatives/approaches, and are they in line with contextual needs and realities?
- Do they have explicit local components, or do they aim to have indirect effects at the local level?
- What kind of impact are the specific institutional and other anti-corruption initiatives/mechanisms chosen having at the local level?
  - What are the local effects and presence of national level initiatives?
  - Are there unintended effects or new forms of corruption arising?
- What are the main challenges to the effectiveness of anti-corruption efforts? What lessons emerge about what works and does not work in anti-corruption efforts and why?

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