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## **Decentralization and Local Elites' Capture**

**By Kongkea Chhoeun**

Decentralization is a popular reform movement in developing countries, especially in the countries that have a recent past political violence and a fragile democratic development. The major motive for this reform is the conviction that it would ultimately contribute to the amelioration of extreme poverty through better public services. Decentralization has various dimensions, for example, political, administrative, and fiscal dimension, and varying degrees like de-concentration, delegation, and devolution. Decentralization, if properly designed with careful consideration of the host country's contexts and properly implemented, could deliver its promise. This paper argues that decentralization when poorly implemented with fake goals from political leaders increases poverty levels. Coupled with myriad challenges such as fiscal challenge and poor implementation, decentralization is a political tool of the central government to further strengthen its grips at the local levels. It then posits that "local elite capture" is the consequence of poor implementation with fake goals. It is a phenomenon in a patronage culture. Then it introduces policy recommendations to deal with the elite capture. And finally, it concludes that for decentralization to deliver its promise, the top political leaders must be willing to phase out the patronage culture.

Decentralization means differently to different people. In an organization, it might mean something that B. Guy Peter (2001) refers to participatory governance. Participatory governance envisions that all stakeholders whose interests lie in the well-functioning public organization are able to participate in the policy formation process and the services delivery. The stakeholders include, but are not limited to, street-level bureaucrats, middle-level public employees, and the public. It is a conventional belief that the organization should harness their internal resources, especially those at the lower level, in its policy formation process and decision-making as these resources stay closer to the problems, therefore they have the specialized knowledge to tackle critical (policy) issues that the top-level managers usually do not possess. And providing employees the venues to participate in the decision making that impacts their life, their organization, and their society as a whole would beef up their morale. They would feel more empowered, encouraged, and self-satisfied; therefore, they are more likely to fully devote their energy for the cause of the organization.

In this paper, decentralization is the transfer of authority and responsibility for public functions from the central government to subordinate or quasi-independent government organizations and/or the private sector (Kamiljon T. Akramov 2008). Decentralization in this rather narrow sense has gained increasing attraction among scholars and in policy circles as an appropriate institutional framework for diverse societies. This is in addition to the current development orthodoxy of reducing the power of national governments and bringing decisions closer to the populace (Rachael Diprose and Ukoha Ukiwo 2008). However, the failure of centralized approaches to development and the pressures from international development agencies, among others, are also important forces driving the current wave of decentralization (Smoke 2003).

Decentralization is strongly associated with participatory approach of development and also closely correlated with the concept of good governance whose four pillars consist of accountability, participation, transparency, and full information. Full information promotes transparency that then encourages participation. And participation enhances accountability. What is really meant is that good governance is all about having responsible public employees at all levels that are willingly accountable to their masters – the politicians and ultimately the constituents. To that end, the citizen must be able to gain access to every bit of information in the public bureaucracies so as to gain sufficient basis for full, active participation. And decentralization with good governance is able to deliver its promise, which is to provide better public services and in the end eradicate penury.

Conversely, for good governance to prevail, it is assumed that the government as well as its bureaucracies are close enough geographically for the citizens to engage. However, it is not always the case, especially in less developed countries such as Cambodia. Compounded with underdeveloped physical infrastructures, such as roads and bridges, information technology, and the mass media, these countries have violent political histories with centralized political structure and undeveloped political systems such as fragile democracy. Therefore, decentralization is introduced with myriad goals and poor designs. Clearly, however, poverty reduction is the major one, followed by the promotion of good governance, which again by itself improves the possibility of success of the decentralization. Other ancillary goals include the promotion of local democracy.

It is believed that the quality of public services and the economic efficiency of resource allocation could be vastly improved if the citizens who know well their needs participate in the service delivery

and the policy formation process. In the policy formation process, citizens' participation could make a policy that responds to their real needs. Or put in other words, their needs are met at least in the policy paper. And their participation in the implementation of the policy at the implementing agency should enhance the likelihood that their needs are met at the implementation stage. However, their participation alone does not guarantee responsiveness from the elected local leaders as long as their voices are not heeded. Strong political will and genuine commitment from the political leaders in the success of decentralization are the keys.

To date, a number of studies on the decentralization in less developed countries show less than a passing grade. This is true to other reforms as well. The reform ideas which originated from the West to deal with context-based issues of the West simply do not work well in less developed countries. Some attribute the failures to the different levels of socio-economic development, cultural differences, and different political contexts between the West and the host countries into which the reform ideas are imported. Therefore, one caveat is that decentralization must be carefully designed with extra sensitivity being paid to the local context of the host country. Decentralization is not a once-and-for-all act and the one-fits-all rule does not apply.

For example, in Cambodia alone, decentralization encounters a slew of challenges (for relevant studies please see Rusten 2004). The central government of the Kingdom of Cambodia devolved fiscal power to their local governments to levy a number of taxes on their local constituents. Nonetheless, the local governments are still over reliant financially on the central government that survives at the mercy of international donors. The constituents are too destitute to be taxed. Income taxes, property taxes, and other taxes on the constituents, 70 percent of whom reside outside the urban areas and are farmers, are unthinkable at least in the next couple of decades.

This financial issue in turn deflects the aims of decentralization, which are to furnish the local governments with full autonomy financially and politically. Autonomy here is synonymous to deregulation in the deregulatory governance by B. Guy Peters. Under the reform, the local governments are bounded by neither rules nor regulations from the central government provided that they are well responsive to their local constituents' needs. However, the local governments are rarely responsive to their local constituents but instead to the central government, even worse their political parties. Far from deregulation, higher levels of government still exert excessive control over

local governments and there is a tendency that they increase regulations as they are more vigilant against the newly supposedly autonomous local jurisdictions. "In many countries, even if some power has been devolved, local governments cannot make any by-laws, cannot undertake any contracts without the approval of central government. Budgets, personnel and functions are also approved by central governments. Thus, local initiatives slowdown and decentralized decision-making does not exist anymore (Sonia Cova Draft Paper)."

Furthermore, more regulations are imposed on the local governments so as to keep them in control. This might be even true in countries that just emerged from civil wars and are culturally diverse for decentralization potentially leads to territorial secession among fighting factors and ethno- religious groups.

Moreover, culture also hinders the success of decentralization. For example, in Cambodia, a number of international development partners have made great efforts to introduce the principle of local participation into their development programs as an effort to improve good governance in their development projects and thus enhance the success of the decentralization. Vijghen and Sareoun (1996) found that this principle has embarrassingly failed in the communities they studied. Villagers indeed participated in meetings convened by their local leaders and village development committee, but had no courage and will to challenge the ideas that their leaders and the majority of the participants approve. Though they have differing views, they have no choice but to raise their hand in agreement with the majority. The same researchers quoted their respondents as saying, "if they challenge the majority's views, they may risk being excluded from the group." The minority must follow the majority no matter how they dislike the ideas and the way things work. They prefer to be a part of a group and value "consensus." And anthropologists in separate research (Ledgerwood and Vijghen 2002) found that people do not regard patron-client customs as expressed in favoritism to particular persons or groups when allocating development funds in their communities as corrupt and unfair, but only insist that they should be treated fairly by the patrons and tied with the patrons. That is to say, they prefer to receive favors from the patrons just like their fellow clients. These same scholars term this behavior a unique Cambodian phenomenon and coined a term to describe it as "Khmer fairness ideology" (Ledgerwood and Vijghen 2002).

Then the problems are contextual differences such as culture and socio-economic development between the West and the host country of the reform ideas. The question is whether decentralization should be introduced into these less developed countries that have their own unique contexts at all? There is no doubt that decentralization should be introduced no matter what. And it is a must because the reform could potentially lead to a positive result and be the remedies of some socio-economic problems such as poverty itself. But there are more than socio-economic development and cultural differences. There is another layer of problems. Culture and socio-economic development might not be the problems per se, but they are the breeding grounds for other more egregious problems like “local elite capture” which have a political dimension. Local elite capture is more prevalent in a patronage culture, a culture that tolerates informal rules such as strong personal networks, cronyism like kinships and nepotisms, reciprocity, and favoritism.

Local elite capture is the problems of corruption and opportunistic behavior by local elites to reap local resources. According to Jean-Philippe Platteau and Frédéric Gaspart (2004), “contrary to an idealized view accrediting everything that is local with ‘naturally democratic’ qualities (Watson, 2003: 299), local communities or municipalities may actually be more vulnerable to capture by local elites, because local power groups can easily collude beyond the control of higher-level institutions and the attention of the media (Bardhan, 2002: 192-94; Leonard and Leonard, 2004: 62).”

Elite capture is the result of the deregulation nature of the new governance system. Local government managers who are usually the local elites take advantage of the broad discretion conferred to them under the decentralization program to abuse their power to meet their end goals, rather than to serve their constituents. This abuse of power is pretty well documented in Africa. And this abuse of power is possible because of the asymmetric information between central government and the new local elites- the problems of principal-agent relationship. However, that local elite capture is able to flourish is due mainly to the high degrees of tolerance from the central government. The central government and local elite are in a patron-client relationship so as to meet their reciprocal political and material goals. Power elites in the central government and local side elites collude. This is particularly true when decentralization efforts are partly a guise for renewed attempts by national political elites to expand their control through developing new local institutions or restructuring existing ones. In this mutual relationship, both parties gain. The local elite can capture all of the resources devoted for the cause of the decentralization program and the central

governments that in most cases are autocratic and totalitarian gain the local elites' allegiances and therefore maintain their grips at the local levels.

Unfortunately, this local elite capture syndrome is very rampant in Africa. In most of the African cases, the elite capture of local power structures has been facilitated by the desire of ruling elites to create and sustain power bases in the countryside. Popular perceptions of the logic of patronage politics reinforce this outcome. "Central governments were using funding either to create ab initio a dependent local elite or to consolidate an alliance with local elites based on availability of patronage opportunities" (Crook 2003).

Crook cites the case of Nigeria as follows:

In Nigeria, for example, the military aimed to undermine state government challenges to its hegemony and to create dependent, local government-based elites who would be its henchmen throughout towns and rural areas nationwide. The political need to construct such alliances and clientelistic power bases in turn explains the lack of accountability and corruption that characterized the behavior of local council chairmen, who were unrestrained by any viable control mechanisms, let alone political restraint from a government with any conception of popular accountability (Gboyega, 1998, quoted in Crook 2003).

"Local elite capture", either with or without political backup from the central government, has undermined the goals of decentralization. It worsens the poverty level in the local communities. The elite capture of local government may reduce government's responsiveness to the needs of the rural poor (Kamiljon T. Akramov 2008). Therefore, for the decentralization to deliver its promise, the central governments must in the first place have genuine political goals of decentralization and be committed to them. If the goal is to alleviate poverty in their local communities, appropriate degree of decentralization and mechanisms should be designed to meet those goals. For example, rather than back up the local elite politically, the central governments should impose certain regulations to challenge the local elites and thus keep them in check and promote pro-poor or anti-poverty policies. Crook cites West Bengal and Brazil as successful stories of decentralization. He said as follows:

In West Bengal and Brazil, pro-poor outcomes were a product of the synergy between local and

central factors: poverty-relevant programs often implemented with the help of central funding in cooperation with local governments and given a strong ideological and organizational impetus at the local level from the commitment of local employees and political activists. A particular impetus comes from the political motivations of a strong political party intent on mobilizing electoral coalitions in favor of such policies, or from 'counter-elites' who, in the process of competition, see the policies as a way of constructing a new political base (Crook 2003).

Looking at the same successful story at West Bengal, Kamiljon T. Akramov (2008) notes that one important pitfall associated with decentralization is that existing inequality and lack of credible political competition allow local elites to capture government. In this kind of environment, decentralization might be effective only if pre-existing inequalities are addressed simultaneously and appropriately. For example, in West Bengal decentralization reforms have been linked to comprehensive and successful land reform and provisions for the rights of women and other less-powerful groups. This cohesive and participatory reform process improved information flow and created awareness among the rural poor, enabling them to demand services. The power of the traditional rural elite was diminished as a consequence of both regular local elections and successful land reform, the author continues.

However, genuine political goals are not likely to maintain in a patronage culture, in particular when the political leaders at the central government are inclined to nurture the culture. It is worth reemphasizing that patronage culture is crucial to maintain the status quo, that is to say, to keep the incumbent political leaders in power. Therefore, it is unlikely that the political goals of decentralization and other policies related to decentralization are honored as described in its reform design; that means the successful stories in West Bengal and Brazil are hardly replicated elsewhere. In the case of Cambodia, where local populaces tend to treat patronage culture as something acceptable to them as long as they are part of it, without the changes pushed from the top political leaders, it is unlikely that patronage culture can be changed. And that means local elite capture becomes the entrenched norms and the decentralization is nothing but a political tool to reinforce the interests of the powerful and the few elites.



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