Clientelism in Decentralized States[1]

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1. Introduction

There is growing evidence suggesting that targeted redistribution and clientelism are central parts of electoral politics in both developed and developing countries. Under these electoral strategies, politicians tend to use public resources for political gain, and voting behavior is shaped by short-term benefits rather than broad policy considerations. As such, clientelism and targeted redistribution entail significant welfare costs to societies (Bardhan 2002). This contrasts with programmatic electoral politics where redistributive policies are designed to maximize voters' welfare and economic performance at the national level (Wantchekon 2003; Dixit and Londregan 1997).

In most of the current scholarship on the topic, clientelism is defined as *"... giving material goods in return for electoral support, where the criterion of distribution that the patron uses is simply: did you/will you support me?"* (Stokes 2009). As such, it is viewed as a two-party relationship between a patron and a client. However, decentralized states are the norm in the developing world, and clientelistic networks are imbedded in government structures with vertical as well as horizontal power relations, which makes dyadic relationships less and less realistic. As a result, a central part of a clientelistic organizational structure today is the intermediary or broker, whose role is to mobilize a network of local voters in exchange for financial payment or patronage jobs. Understanding the behavior and strategy of a broker and the two-part contractual arrangement with the national politician and voters is a key in analyzing inefficiency and corruption under clientelistic systems.

One particular institutional design that has been at the center of state reform initiatives in the developing world in the past three decades, and which bolsters the presence of local politicians as political brokers, is the devolution of power and fiscal capacity to low levels of the government. Many multilateral organizations, in particular the World Bank, have pushed decentralization as one of the key points in their reform agendas (World Bank 2000; Burki et al. 1999). How decentralization affects political structures, public-goods provision, corruption, and welfare have been widely studied, and the potential costs and benefits are well known (Bardhan 2002; Gadene and Singhal 2014). However, there is a nascent but still small literature analyzing the way that decentralization of political power and fiscal autonomy shapes the various clientelistic strategies adopted by political actors, and the consequences of those strategies.

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Clientelistic networks and decentralization share common organizational features and interact in different ways. They are both multi-tiered structures plagued with agency issues. In this chapter we study these links, reviewing the current scholarship and emphasizing how the different features of political decentralization affect clientelistic politics and point to avenues for future research. In particular, we emphasize the role clientelistic networks and upward and downward accountability play in undermining programmatic politics. We finally provide a brief analysis of the role local bureaucracies can play in counterbalancing the efficiency losses introduced by clientelistic politics in decentralized states.

The next section provides the working definition of clientelism, explains different clientelist strategies, and emphasizes the costs and benefits that clientelistic practices generate for society. Section 3 reviews varieties of decentralization and evidence on the effects of decentralization on public-service provision, political accountability, and personnel structures. Section 4 looks at the information advantages of decentralization and how can they be undermined by clientelism. Section 5 analyzes the small but growing literature that studies clientelistic networks within decentralized settings, focusing specifically on how career concerned politicians face different incentives in a decentralized structure. Section 6 provides insights on the role local bureaucracies can play in these settings, and Section 7 concludes by providing new directions for future research.

2. Clientelism

Clientelism has been traditionally defined as a dyadic relationship between a patron and client, in which the patron provides the potential supporter with goods or services in exchange for a promise of political support (Hicken 2011; Stokes et al. 2013). This implies a hierarchical relationship in which a person holding power (economic or political) uses his/her own influence and resources to provide protection or benefits (or both) for a person of lower status (Scott 1972). Further, one of the key factors of clientelism is that it relies on repeated interactions, which provide both the patron and the client with information about the reliability of the other and gives each party the opportunity to punish the other for defecting. However, even in developing countries, political processes are increasingly competitive; voters are better informed, politically savvy, and organized.[2] As a result, voters are more informed about different types of politicians, plus their offers and strategies, and are less likely to accept or comply with repeated contracts that limit voters' future actions. Under this scenario, the assumption of two-way, repeated, and exclusive relationships between voters and politicians is far more likely to break down.

[2] Partially, this change in voter behavior in the developing world is explained by the increase in NGOs and international organizations that have been increasingly developing programs and projects focused in disseminating information about politician's performance in office, i.e., scorecards (Humphries 2013; Banerjee et al. 2011). Additionally, the expansion of information technologies, including cell phones and social media, has contributed to generating more active, informed, and critical voters.

There are broad categories of different clientelist practices, and we will adopt the modern view of clientelism as standard targeted redistributive politics, while putting the broker (local political agents) at the center of these relationships.

Extensive literature has examined the role of the broker in the modern view of clientelism. Politicians rely on vote brokers because they assume that they are more likely to have knowledge about voters' preferences and their characteristics, e.g., they know whom they are more or less likely to vote for and how intense their preferences are. Politicians usually employ brokers to gather information on their constituents' political affiliations, to monitor votes, survey local needs and demands, and provide goods and benefits to voters. Brokers are tasked with tremendous responsibilities, since votes are cast in secret and election results are usually uncertain.

Despite the assumption that brokers are equipped with better and more accurate information about local voters' preferences, there is not much evidence to support this. In an extensive study on the role of brokers in local politics, specifically their ability to guess the preferences of their voters in rural Rajasthan, India, a poor state where clientelism is widespread, Sneider developed a measure, *guessability*, which indicated whether local leaders, who act as brokers in this instance, could correctly guess villagers' intended vote in the next election (Sneider 2016). In a cross-referenced survey of one thousand voters and two hundred local politicians across ninety-six village councils, Schneider found that brokers did not do a better job at identifying voters' preferences than low-information benchmarks. In fact, brokers incorrectly guessed voter preferences 35.5 percent of the time. However, they could identify preferences of voters who belong to the same ethnic groups. This may be due to the fact that those voters are more likely to vote for co-ethnic politicians.

However, there is evidence that political brokers target specific types of voters when giving out benefits. A study in Paraguay in analyzed the role brokers play in politicians' clientelistic strategies (Finan and Schechter 2012). Brokers are in charge of distributing benefits among voters in exchange for the promise of their vote. In this instance, brokers target reciprocal voters, i.e., those who are more likely to commit to an action in response to a gift despite the fact that this action is unobservable. A one-standard-deviation increase in the level of reciprocity results in a 44-percentage-point increase in the likelihood of being targeted by the political broker. The researchers argue that, given that ballots are secret, brokers are more likely to give gifts and favors to reciprocal voters since they are more likely to comply with an oral contract that can't be enforced. To be able to carry out this strategy, brokers must hold a large amount of information about voters' preferences. To further demonstrate the connection between brokers and villagers, the researchers conducted several surveys to identify villagers' characteristics and social preferences, then see if the brokers could correctly guess the villagers' answers to those questions. They found a high correlation between the brokers' and villagers' responses, not just on specific characteristics but also regarding social preferences. This study has important implication for Schneider's Rajasthan findings.

It shows that by targeting specific reciprocal individuals, brokers can ensure that targeted individuals are likely to commit their vote to the intended politician.

While the literature on the role of brokers is mostly focused on vote-buying, we want to stray from this specific type of clientelism and examine the broader ties between clientelism and decentralization.[3]

2.1. Consequences of Clientelism

Clientelistic politics lead to large welfare loses to society. For example, they have the potential to reverse standard accountability mechanisms, which are central to democracy. When politicians provide favors to voters in exchange for their support, voters lose the ability to effectively hold politicians and parties accountable for their behavior in office, and instead, become the ones held accountable for their actions by parties and politicians (Hicken 2011). This lack of accountability could lead to increased corruption, and more generally, lower empowerment of civil society. For example, Lederman et al. (2004) note that the literatures of both political science and economics have extensively studied the relationship between political accountability and reduced corruption (Fackler and Lin 1995; Linz and Stepan 1996; Nas et al. 1996; Bailey and Valenzuela 1997; Persson et al. 1997; Rose-Ackerman 1999; Djankov et al. 2001; Laffont and Meleu 2001). They note that the common argument of these studies is that increased political accountability aligns politicians' preferences with those of their citizens by punishing politicians that adopt policies unfit for their constituents. As we describe in more detail below, accountability structures are central to the functioning of decentralized states. Furthermore, the closeness of political power to their constituencies allows these structures to make use of an information advantage to hold local level politicians accountable and reduce the incidence of clientelism and corruption.

Furthermore, clientelism has been linked to larger public deficits and public sector inefficiencies (Hicken 2011). In clientelistic systems, non-targeted public goods are undersupplied, while there is an overprovision of goods and services targeted to narrow constituencies. This implies an unequal allocation of resources, which leads to slower economic development and efficiency losses. An unusual dataset reveals the political preferences in favor or against the Chavez regime in Venezuela to document how the government took action against political detractors, limiting their possibilities of accessing public sector jobs (Hsieh et al. 2011). This led to large misallocations, and productivity losses between 2 and 5 percent. Another study shows that providing public-sector jobs represents an incentive-compatible strategy to overcome the commitment problems imbedded in clientelism (Robinson and Verdier 2013). This leads to inefficiencies in providing public goods. Such inefficiencies are worse when the political stakes are high, when inequality is high,

[3] As Kitschelt (2011) mentions, politicians may offer goods before or after an election or through the election cycle. In their work, Robinson and Verdier (2013) focused on clientelism as redistributive politics in employment as they found that it is jobs that are exchanged the most for votes in the clientelism. Politicians promise jobs because it is one method to ensure that politicians can have the support of voters. They found this type of clientelism to be more prevalent in monopolistic states——in areas where the state dominates and controls a wide range of goods and services.

and when, in politics, money matters less than ideology. Where budget constraints are soft, as is the case in countries where central government grants and transfers fund much local government expenditure, the potential for public funds to be used for political purposes might be higher (Bordingnon 2004).

In addition to welfare losses and public sector inefficiencies, clientelism also affects party systems. In non-democracies, clientelistic strategies weaken party structures, allowing dictators to hold onto power longer. Autocrats prevent voters from expressing their preferences due to fear of retaliation, or of losing the conditional benefits provided by the government (Stokes 2009). For example, in Singapore, clientelist strategies, such the construction of public housing in exchange for political support, created socioeconomic dependence on the regime. To vote against the ruling party would mean to risk losing such benefits (Hicken 2011). On the other hand, programmatic systems tend to have lower electoral volatility, lower party-system fragmentation, and higher levels of party-system institutionalization (Kitschelt et al. 2010). For example, Hagopian et al. (2009) discuss the shift from an inchoate and volatile party system characterized by clientelism and patronage to one that is slowly became more programmatic and thus institutionalized over the course of the 1990s and 2000s.

3. Decentralization

Before discussing any of decentralization's benefits, it is important to distinguish between its three main forms. *Political* decentralization is the transfer of political authority from the central government to subnational governments, which takes places through constitutional amendments or electoral reform (USAID 2009). *Administrative* decentralization involves the transfer of responsibility for the planning and management of public functions from the national government to subnational units or governments. Finally, *fiscal* decentralization refers to "policies designed to increase the revenues or fiscal autonomy of subnational governments" (Falleti 2005). This form of decentralization expands the authority of subnational officials by giving them responsibilities for collecting tax revenues or by directly involving them in expenditure policy (USAID 2009). Though each type of decentralization affects relationships between central-level officials, local politicians, and citizens, we focus specifically on political decentralization and its effects on local politicians' incentives and payoffs for engaging in clientelist behavior.

4. Clientelism and the Information Advantages of Decentralization

Some argue that decentralization has the potential to improve public-service provision. The decentralization of political power brings politicians closer to voters, allowing them to get a better assessment of voter's preferences and thus provide the public goods preferred by the majority of voters (Bardhan and Mookherjee 2000a, 2000b; Seabright 1996). However, these benefits can easily be lost when clientelistic politics dominate the local political arena.

Politicians in decentralized states are able to deliver public goods that are closer to the preferred policies of the electorate (Hayek 1945; Alesina and Spolaore 2003). When preferences are heterogeneous across geographic areas, having smaller and

geographically concentrated constituencies makes it easier to target the types of public goods that maximize welfare, and thus welfare gains can be achieved by decentralizing power (Oates 1972; Besley and Coate 2003). Decentralization makes government more responsive to local needs by "tailoring levels of consumption to the preferences of smaller, more homogenous groups" (Shah 1998; Wallis and Oates 1988; World Bank 1994.)

Several studies empirically examine decentralization's ability to lead to improved service delivery: For example, one shows that the decentralization of public-service provision in Albania allowed local governments to improve targeting of social programs by making use of local information (Alderman 2002). Another uses information from the Bangladeshi Food and Education Program, and notes that communities do a much better job than the government at identifying the poor (Galasso and Ravallion 2005). And a third shows that the network structures in Indonesian villages affect the way information is aggregated for targeting a cash-transfer program (Atalas et al. 2014).

Furthermore, using data from the decentralization reforms in Bolivia in the late 1980s that doubled public revenues allocated to local governments, Faguet (2004) shows that this reform led to a an increase proportion of the budget allocated to education and health. These areas had large demands from the population. Evidence from Indonesia shows that the 2001 decentralization reform led to higher infrastructure investment in places that had a larger infrastructure deficit (Kis-Katos and Sjahrir 2014), while Argentine decentralization led to significant gains in test scores, although these gains were concentrated among the non-poor (Galiani et al. 2008).

However, the advantages that political decentralization can bring in aligning the government's choices more closely with voters' preferences and implementing programmatic politics can break down in the presence of clientelism. Under which conditions would politicians engage in programmatic rather than clientelistic politics? Officials in power will have better chances of being reelected when they accommodate voters' preferences. Likewise, candidates running for office will succeed when they make credible promises. Keefer and Vlaicu (2004) propose a model of electoral competition in which candidates have different ways of gaining credibility with the electorate. They can either spend resources to communicate directly with voters, rely on preexisting patron-client networks, or allow patrons to make credible promises for them. This model can be used to examine the relationship between decentralization and clientelism. With these quandaries on how to win votes, national politicians are more likely to engage in patronage politics to reward their local brokers, but meritocratic appointment procedures can limit these incentives. Likewise, more political competition or strong political parties with known policy stances provide politicians with greater credibility, which can aid a transition towards programmatic politics. Experimental evidence from Benin and the Philippines suggests that policy deliberation (town hall meetings) and two-way communication can overcome clientelism and facilitate the transition to programmatic politics by enabling candidates to commit to specific post-election

policy agendas (Fujiwara and Wantchekon 2013; Wantchekon et al. 2016).

Programmatic politics can break clientelistic networks in Mexico (Larreguy et al. 2015). Turning to Mexico's federal structure and changes in incumbency over time in the context of a federal land-titling program, the authors provide empirical evidence that municipal incumbents, who often relied on weak property rights to enforce clientelist exchanges, experienced a large decrease in their vote share in precincts where the national land-titling program was implemented. Meanwhile, *federal* incumbents' loss of clientelistic capacity was more than compensated for by increased votes from the land-titling program's beneficiaries. This shows that programmatic reforms can reduce clientelism while rewarding incumbents for the policies in office.

4.1. Clientelism, Decentralization, and Accountability

The agency problem in a centralized government is one between the citizens, local bureaucrats, and the central government. Political decentralization reforms change this by making local elected politicians accountable to the population. Voters can more easily observing politicians' types and actions, which allows citizens to hold elected officials accountable (Bardhan and Mookherjee 2005, 2006). Further, if decentralized units are responsible only for the performance of their own jurisdictions (i.e., no spillovers), then voters can compare the performance of the different units and hold them accountable through yardstick competition (Besley and Coate 2000). This increased accountability is generally thought to reduce corruption and allow less theft of public funds (Fisman and Gatti 2002). While decentralization has the potential make politicians more accountable and reduce politicians' moral hazards, this can be undermined by weak institutions, which favor clientelistic practices and elite capture.[4] In this section, we will focus precisely on this issue, particularly emphasizing the role played by clientelistic networks.

4.2. Clientelistic Networks in Decentralized Structures

In many weak states, politicians may lack the capacity to mobilize resources, monitor problems, or encourage participation at the local level. In these contexts, the ability of politicians to respond to local needs or to be able to get political support from the population relies on their capacity to establish a network. This could be through political brokers or local politicians. Most of the literature analyzing political clientelism has focused on the former, i.e., how political brokers operate at the local level (Finan and Schechter 2012; Vicente 2008; Larreguy 2015, among others).

With clientelism, local politicians in decentralized states become part of a larger structure, and their interactions with voters cannot be analyzed independently from national politics. In this context, local politicians can end up acting as *de facto* political brokers for the national parties, facing a completely different set of

[4] While there is a clear distinction between elite capture and clientelism, several scholars suggest that elite capture can be linked to higher levels of clientelism. For example, Bardhan et al. (2010) use a household survey in rural West Bengal and find that the elite capture of goods also supports the delivery of goods or benefits to the poor that elites themselves do not have much use for.

incentives that have to be factored in when analyzing their behavior. Thus, although decentralization is aimed at enhancing local politicians' accountability to citizens, this downward accountability is limited by the fact that local politicians have to respond to their party patrons (i.e., upward accountability) once clientelism comes into play.

4.2.1. Downward Accountability

Under centralization, immediate accountability for local officials, selected by higher-level authorities, is upward, i.e., to the central government, and they face strong incentives to respond to the central government's priorities and concerns. This weakens incentives to respond to local citizens' needs. Under decentralization, however, local officials' tenure and career is in the hands of citizens who elect them, tightening the loop between those who produce public goods and those who consume them (Faguet 2012).

Reelection incentives are key in addressing the moral hazard problem in politicians' efforts to provide public goods. A quasi-experiment in Brazilian municipalities chose a random sample of municipalities to be audited, and the results of these audits were made public either before or after the elections (Ferraz and Finan 2008). Using a difference-in-difference strategy, the researchers show that the availability of information about poor management of local governments reduced mayors' reelection probabilities. Another study of the same setting finds that mayors facing a higher chance of being audited work harder and are more efficient in providing public goods (Litschig and Zamboni 2013). Other studies also show empirically that when local populations can easily observe politicians' actions, they hold elected politicians accountable, and public service delivery improves (Besley and Burgess 2002; Olken and Pande 2012; Banerjee et al. 2011). Overall, the evidence seems to point out that decentralization has the potential to improve the level of information voters have about their politicians and hold them accountable, thus reducing corruption and improving public-good provision.[5]

This downwards accountability breaks down under weak institutions that lead to either elite resource-capture or patronage and clientelism. In settings with weak accountability mechanisms and institutions, local elites can take advantage of their power and capture budgets and public goods (Bardhan and Mookherjee 2005, 2006). If communities can't take actions against the elites, or the elites can influence the enforcement or law-making process, politicians end up being accountable to

[5] Other scholars contend that relative to centralized structures, decentralization undermines accountability. Ponzetto et al. (2016) develop a political-agency model with voters who differ in their ability to monitor rent-seeking politicians, and find that while voter information improves monitoring, it also reduces the appeal of holding office. Rent extraction is thus a decreasing and inverse function of the share of informed voters. As a result, with information heterogeneity, rent extraction falls in less-informed regions and generally remains constant in better-informed regions, resulting in aggregate efficiency gains. For centralization to maximize welfare, however, the central government must be required to provide identical public goods to all regions rather than favor informed regions at the expense of others. Their study highlights a tradeoff between decentralization's ability to better match goods to local preferences and centralization's improved accountability.

local elites rather than to the local population. For example, many decentralization statutes in West Africa failed to enfranchise local populations, and laws have been structured to make local authorities upwardly accountable to the central state rather than downwardly accountable to the community (Agrawal and Ribot 1999). The literature also shows that ethnic majorities can gain control over local officials, and this has been particularly the case in Africa and South Asia. Ethnic diversity is negatively related to efficient public-good provision (Easterly and Levine 1997; Alesina and La Ferrara 2005; Miguel and Gugerty 2005;, Burgess et al. 2015).

Decentralization in weakly institutionalized settings is conducive to what Kent Eaton calls "armed clientelism" (Eaton 2006). Studying the Colombian setting, he argues that both guerillas and paramilitaries used devolved structures to expand their authority over state-financed goods and services, which were exchanged for political support. The central government failed to provide public order, and central-government representatives were too weak to enforce the decentralizing measures—suggesting a sequenced approach to decentralization is particularly important in weak states. An empirical study of the Employment Assurance Scheme (EAS) in rural West Bengal in India examined interactions between the community, elected officials, and civil servants that enables the theft of funds from the EAS in two localities (Véron et al. 2006). The researchers show that in decentralized settings, when vertical accountability is weak, horizontal accountability structures between local civil society and officials can mutate into networks of corruption.

4.2.2. Upward Accountability

When strong national political parties dominate the arena, local politicians' careers are in the hands of national leaders, leading them to enact policies that will lead to their advancement within the party structure rather than those that will benefit the community (Ahmed et al. 2005).

In his seminal work from 1964, Riker argues that strong national parties often align local politicians' political incentives with national objectives by exploiting local politicians' career concerns (leverage over their promotions to national-level politics). Enikolopov and Zhuravskaya (2007) use cross-country data to test Riker's classical hypotheses about decentralization. Their findings highlight the importance of national parties in disciplining local politicians to achieve economic growth, quality of government, and public-goods provision. On the other hand, they show that administrative subordination (i.e., appointing local politicians rather than electing them) may not improve the results of fiscal decentralization.

Creating and sustaining upward accountability through a patron-client relationship allows the central political leadership to dominate political power and resources throughout the society by positioning loyal clients at subnational levels. Loyal political leaders benefit, as they have access to rewarding positions in the subnational government. For example, a clientelist intra-party relationship in Ethiopia has undermined the virtues of decentralization (allocative and production efficiencies, accountability, responsiveness, etc.) (Chanie 2007). Although the ruling Tigrayan People's Liberation Front (TPLF) ensures that both regional leaders and

the populace feel there is no special treatment for any region, at least in terms of documented fiscal performance, new patronage or unofficial mechanisms for maintaining traditional clientelism exist. Regional political leaders cannot raise issues concerning the new patronage mechanisms, as this would endanger their political position in relation to the central government.

Several country cases exhibit how incentives to gain higher positions in national or sub-national governments can inhibit downward accountability. Local elections that occurred on a partisan basis in several Latin American countries including Bolivia, Brazil, Costa Rica, Honduras, and Nicaragua diminished the capacity of local actors to demand accountability from local elected officials (Larson 2003). Larson argues that this was mostly due to the fact that national parties were the ones appointing candidates to local offices, thereby limiting citizens' opportunities to select representatives. In Senegal, only nationally registered political parties can present candidates for rural councils for election; as a result, there is little competition and no formal mechanisms that make local representatives accountable to the population (Agrawal and Ribot 1999).

Upward accountability is also influenced by whether the central or subnational governments have discretion over decentralizing measures. While decentralization is often advanced for its ability to increase the independence of local decision-makers and brining government closer to the people, Bohlken (2012) argues that when government elites have discretion over the implementation of decentralization, they can use it as an instrument to control local politicians. Bohklen tests the argument that local politicians have an incentive to work towards the success of their party by acting as intermediaries when party leaders implement decentralization with a great degree of executive discretion. Using variation in the degree to which parties had discretion over the allocation of resources to local governments in the Indian state Kerala, she finds that local politicians are more likely to encourage voting for their party's candidates in state elections when state party leaders exercise discretion over decentralizing reforms, as this provides local politicians with opportunities to extract private rewards for themselves.

Additionally, the ability of the central government or national party leaders to monitor local officials shapes upward accountability. In the same study on village level incumbents in Kerala, Bohklen finds that local politicians are also more likely to encourage his or her supporters to vote for his or her party when state level governments have greater ability to selectively monitor village politicians. Furthermore, empirical evidence shows that the Institutional Revolutionary Party (PRI) in Mexico uses electoral results to monitor the performance of local political brokers to make sure they deliver the votes of its clientelist networks (Larreguey 2015).[6]

[6] Larreguey also shows that municipalities with larger communal lands, where the control of political brokers is less costly, were associated with both larger PRI vote shares and lower levels of public-good provision.

Overall, local politicians' incentives in clientelist settings reveal that upward accountability is influenced by several factors, including the partisan or non-partisan nature of local politics, discretion over decentralizing resources, and the strength of monitoring by national parties.

4.2.3. Balancing Incentives

Martinez-Bravo (2014) argues that having local politicians accountable to the population can balance their incentives for upward mobility, and reduce the incidence of clientelistic practices. Using a model of career-concerned politicians to guide the analysis, and a natural experiment from Indonesia's first democratic election, where some villages had appointed leaders while in others they were elected, Martinez-Bravo shows that appointed officials have stronger incentives to influence voters during national-level elections because of their career concerns. Given that the appointed officials' jobs depend on decisions from the central government, they have stronger incentives to support the national party, and deliver votes for them. On the other hand, elected officials stay in their positions mainly due to their local constituents' decisions. The alignment patterns of electoral results support the model's predictions, suggesting that the clientelistic politics is more widespread when local authorities are only accountable upwards.

The arguments for balancing politicians' incentives with upward and vertical accountability are also developed in Myerson (2015), who shows how political centralization of government can raise the economic costs of moral hazard in public spending. He analyzes a model of moral hazard in local public services that could be efficiently managed by officials under local democratic accountability but not by officials who are appointed by the ruler of a centralized autocracy. The main result is that agency problems have efficient solutions requiring some constitutional decentralization of power.

In summary, politically decentralized states carry an inherent tension between upward and downward accountability. In institutionalized settings with reelection incentives, the latter should dominate, even for career-concerned politicians.

5. The Role of Local Bureaucracies in Decentralized States

One key question underlying the discussion on the extent to which upwards or downwards accountability prevails in decentralized states in the presence of clientelism is whether we can design safeguards to ensure that whatever public goods are provided, are provided efficiently. In order to do this, we need to think about local bureaucrats and the incentives they face.

In a world in which reelection incentives are present, local politicians should have the incentives to efficiently deliver public goods, since this will gain them the support of the population. However, when local politics are plagued with ethnic voting and clientelism, the continuation value of being in office does not depend on the utility of citizens, thus local governments do not have the incentives to recruit efficient bureaucrats or enforce high levels of effort.

One argument commonly cited for the lack of efficiency in the local management of public-service provision is the lack of human, financial, and technical resources to manage a large number of local governments (Crook and Sverrisson 1999; Smith 1985.) Some have argued that local governments often fail to attract highly trained bureaucrats, since the rewards at the local level are lower than at the national level (Prud'homme 1995; Tanzi 1996) This translates into a lack of management capacity, poor public-service provision, and high corruption in decentralized states. However, to a large extent this could be explained by the poor incentives politicians have to recruit able bureaucrats. Instead, it might be more politically profitable to use public-sector jobs as a patronage tool (Robinson and Verdier 2003).[7]

Most developing countries lack professional civil services and instead rely on short-term contracts to staff different personnel in the government. This generates opportunities to use public-sector jobs as a patronage tool. Generating a professional civil service can potentially limit local politicians' ability to use public sector jobs as part of their clientelistic network. Alternatively, there is much to be done to design recruitment strategies that manage to attract motivated bureaucrats to work in local governments, as well as to design incentives that deter corruption, limit clientelism, and motivate bureaucrats to exert effort and enhance local public-good provision.

A nascent empirical literature investigates different ways in which we can design recruitment strategies and contracts for public sector workers (reviewed in Ferraz et al. 2015). Following this literature, ongoing work tests whether centrally implemented, performance based, group incentives are able to extract a high level of effort from local level bureaucrats, while at the same time, reducing the negative effects of political appointees on local level productivity (Bobba et al.).

6. Conclusions

In weak institutional environments, the hierarchical structure of decentralized government is likely to overlap with that of clientelist networks. This could undermine governance by making local politicians more accountable to their national patrons than their constituents. However, decentralization also presents an opportunity for national politicians' local brokers to turn into elected officials in local governments, with their own independent political agendas and career objectives, thereby freeing them for clientelist dependency. In other words, by turning the broker from a patronage jobseeker into mayor or a governor whose political career depends on the will of the people, decentralization may weaken the demand side of clientelism and help promote programmatic electoral politics and good governance. This is more likely if decentralization includes accountability-

[7] An alternative argument for local governments' poor performance is that the large number of contracts that have to be managed at the local level makes the number of opportunities for corruption more widespread in decentralized governments, and local politicians and bureaucrats are likely to be more subject to pressing demands from local interest groups. Additionally, local officials usually have more discretionary power than national decision-makers, and monitoring and auditing are usually more developed at the national level (Manor 1999).

enhancing reforms such as auditing, and participatory budgeting.[8]

Despite some theoretical contributions and the few empirical ones mentioned above, there is still limited evidence on how vertical relations between politicians in a decentralized setting can be shaped by clientelistic politics. In particular, the literature has largely overlooked how decentralization changes politicians' incentives and the extent to which clientelistic practices can be useful for career advancements in such institutional settings. More important, this evidence will allow us to have a better understanding of the checks and balances that should be incorporated to make sure the changes create incentives for decentralization to result in improved local governance.

[8] See Ferraz and Finan (2008) for evidence on the effect of auditing on accountability.

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