

Varieties of Disappointment

Why Has Decentralization Not Delivered on Its Promises in Southeast Asia?

Edmund J. Malesky and Francis E. Hutchinson

With varying levels of intensity, Southeast Asian countries have been experimenting with different modes of decentralization for over two decades. Significant debate exists about the success of these efforts, and some countries have recently attempted to reverse these measures by recentralizing political, fiscal, or administrative authority. To better understand the arguments over these institutional changes, we commissioned a set of articles from world-class scholars on the region, asking them to reflect on decentralization/recentralization debates within their countries of study. In this introductory article, we explore some of the key themes and findings from these contributions. An unmistakable tone of negativity pervades the pieces. Authors express either disappointment that decentralization did not achieve its lofty goals or was never given a chance to succeed by central leaders who: were reluctant to fully devolve power; issued contradictory legislation that undermined decentralization's effectiveness; or used alternative levers to recentralize authority to negate the incipient decentralization measures. We probe some of the main drivers of the disappointment and offer some conjectures about the future of decentralization in the region.

Keywords: Decentralization, recentralization, Southeast Asia, “varieties of disappointment”, accountability.

1. Introduction

Few policy prescriptions are as theoretically enticing as decentralization. Scholars have argued that bringing administrative, fiscal, and political decisions closer to the individuals most affected by those choices would: generate productivity

gains (Oates 1972); enable better-tailored policies (Besley and Coate 2003); and reduce corruption (Fisman and Gatti 2002; Bardhan and Mookherjee 2008). Furthermore, greater experience with participatory processes would plant seeds for future democracy (Manin, Stokes and Przeworski 1999, p. 10; Fung 2004). It was also argued

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that decentralization would release furious competition between sub-national units that would lead to enhanced public service delivery and innovation, as local leaders sought to attract labour, capital, and votes (Tiebout 1956; Inman and Rubinfeld 1997; Weingast 1995; Montinola, Qian and Weingast 1995).

These theoretical predictions had significant influence on policymakers and the international development community. In the 1990s, a wave of decentralization spread across the world with almost every sizeable country devolving some sort of responsibilities to sub-national units (Rodden 2006). Many of these programmes were advised or funded by multilateral and bilateral donors. Countries varied, of course, in the nature of decentralization they chose and the scale of the devolution, but around the world there was a strong faith that decentralization was an elixir that would heal many of the ills of existing political structures.

Southeast Asian countries were caught up in the decentralization “wave” to differing degrees. On one hand, the Philippines and Indonesia embarked on far-reaching reforms to devolve revenue-raising and service delivery responsibilities to sub-national governments. In its 2005 review of decentralization in East Asia, the World Bank labelled these two countries as “fast starters”. Countries such as Vietnam were termed “incrementalists” and Cambodia and Thailand labelled as “cautious reformers”, due to their gradual and piecemeal approach to decentralization (White and Smoke 2005).

With time, however, it became clear that the decentralization potion was not quite as magical as had been anticipated (Prud’homme 1995). Empirically, the excitement about the benefits of local autonomy was not met by improvements in measurable outcomes, as the World Bank demonstrated in a meta-analysis of 500 studies of decentralization (Mansuri and Rao 2013). The gap between prediction and reality has become obvious to both citizens and elites. Consequently, around the world, we are now observing a partial roll-back of reforms (Eaton 2004; Dickovick 2011).

These trends are observable in Southeast Asia as well. As the authors in this special issue document,

the Indonesian government implemented a series of measures that strengthened the supervisory powers and coordination responsibilities of provincial governments over municipal and regency governments in 2004, and top politicians called for the end of district elections in the wake of the 2014 presidential election. In 2014, Thailand’s interim constitution suspended the election of the heads of provincial administrative organizations and sub-districts (*tambons*), and foresees their replacement by appointed officials upon completion of their current term (Pawakapan 2014). For its part, Vietnam piloted the elimination of elections for local people’s councils in a number of locations, in order to see if this reduces organizational duplication and inefficiency (Malesky, Nguyen and Tran 2014).

Given these events, we decided it was time to carry out a comparative evaluation of the experiences of Southeast Asian countries with regard to decentralization on one hand, and recentralization on the other. However, at present, the literature is ill-suited to offer empirical predictions on recentralization efforts for three reasons. First, while each of the countries in Southeast Asia has a dense literature on decentralization, these have largely been confined to the borders of the specific state under investigation. Direct comparison has been hampered by: the unique constellations of decentralization choices in each country; variance in the desired outcomes of stakeholders; and case-specific terminology that complicates identifying cross-case analogues. Second, as our contributors demonstrate, the instances of recentralization are new and scattered, making it difficult to propose general theories. Third, as we noted above, the extant literature on decentralization is fiercely contested, offering few findings that withstand theoretical and empirical scrutiny. There are very few agreed-upon facts that can serve to anchor the discussions.

To resolve these problems, we commissioned a set of articles from world-class scholars on the region, asking them to reflect on the decentralization/recentralization debates within their countries of study. To facilitate comparisons, however, we asked all of the authors to follow

a common format and lexicon for describing elements of decentralization, allowing readers to easily draw out similarities and differences across the research settings and facilitating structured comparisons regarding: the history of sub-national administrative developments; the politics behind recentralization/decentralization debates; the specific changes in sub-national institutions; and the economic and political outcomes of institutional changes. As readers will see, the articles in this special issue are excellent. While all adhere to the suggested format, they work within those confines in fascinating ways, playing to their authors' strengths and to the parameters of the debates in their respective countries. What emerges is a complex and nuanced picture of the origins, application, and outcomes of the decentralization and recentralization programmes.

An unmistakable tone of negativity pervades the articles in the issue. Except for Myanmar, which is only now embarking on its decentralization experiment, authors express either disappointment that decentralization did not achieve its lofty goals (Indonesia and Philippines) or was never given a chance to succeed by central leaders who: were reluctant to fully devolve power; issued contradictory legislation that undermined decentralization's effectiveness; or used alternative levers to recentralize authority at the same time (Vietnam, Cambodia and Thailand).

In this introductory article, we explore some of the unifying themes that help explain the disenchantment. First, a common thread appears to be that hand-wringing about the missing economic benefits of decentralization may be misplaced, as the primary goals for decentralization may have been non-economic including responding to previous authoritarian periods and creating space for regional identities. Second, the theoretical models on decentralization discussed above relied on restrictive assumptions for success that were not met in our Southeast Asian cases. Third, the complexities of decentralization meant that a wide array of powers needed to be devolved to sub-national governments. Within each country, different mixes of sub-national powers were chosen, leading to wide varieties in the type,

scope, and jurisdiction of authorities. This has generated a number of internal contradictions that have slowed and confused implementation. Finally, the authors of the article on Thailand, Unger and Mahakanjana, make the provocative argument that the failure of decentralization reforms in that country is in large part the result of the end-users — the citizens and businesses who have failed to organize, mobilize, and take advantage of their newfound powers.

Surprisingly, profound disappointment regarding the benefits of decentralization has not led to extensive reversals. In all of the cases above, recentralization efforts were not implemented or were abandoned midstream. All countries in our analysis therefore rest in an odd halfway house with regard to the architecture of their polities. The past forms of local-central power-sharing have not borne fruit, but the alternatives are unclear and, in the case of Philippines and Indonesia, unpopular. The next research agenda, perhaps inspired by the New Fiscal Federalism literature (Weingast 2014) will need to point the way to hybrid systems that are able to capture the benefits of devolving local authority without falling prey to its excesses.

2. Types of Decentralization

Before delving into the details of the articles, it is helpful to develop a conceptual vocabulary that will be used throughout the issue, regarding the features of decentralization and recentralization. Scholars generally distinguish between modes of decentralization in three ways: (1) the arenas in which power has been granted to local authorities; (2) the extent of the power provided; and (3) the level or node in the government hierarchy invested with the authority (Falleti 2010).

2.1 Types of Decentralization

Three types of responsibilities are commonly decentralized. *Fiscal decentralization* provides local governments with the power to: tax citizens and business; raise money through borrowing either domestically or overseas; and decide how to spend that money through the preparation

and implementation of local budgets.¹ On paper, the most comprehensive fiscal decentralization occurred in Indonesia, which granted districts greater authority over revenue collection by increasing the types of taxes available, and also provided greater autonomy over expenditures. Ironically, Ostwald, Tajime and Sampantharak (henceforth, OTS), the authors of the article on Indonesia, conclude that fiscal decentralization in that country did not go as far as it could have, and even lagged behind other types, leaving most districts reliant on central transfers (p. 147). According to Unger and Mahakanjana, Thailand's 1999 reforms also involved comprehensive fiscal decentralization, which dramatically increased the share of revenue reaching provinces in the years after the reform. While the Philippines, Cambodia, and Vietnam have experienced less fiscal decentralization, a substantial amount of control over expenditures and revenue collection now takes place at the local level. All authors document extensive increases in expenditures allocated to, and revenue retained at, the local level.

Indonesia also provides the best example of what has been called the "second-generation" of fiscal federalism (Weingast 2014; Rodden 2016). This considers the role of public transfers in alleviating the extreme inequalities that the pure form of decentralization can create, as initially better-endowed regions are able to: attract greater investment; generate more revenue; and use those resources to spend more on public services. This, in turn, attracts greater investment, further lifts incomes, and aggravates disparities with regard to less well-endowed regions. Conversely, a healthy public transfer system helps poorly endowed sub-national units without a viable tax base at the start of decentralization from being trapped in the alternative vicious cycle. Many experts on decentralization insist that the only way to make fiscal decentralization politically viable is to marry it with such a transfer system (White and Smoke 2005). That said, the "second generation" fiscal federalism literature also highlights the perils of providing excessive central transfers to sub-national governments. Sub-national governments are more likely to provide "market-enhancing"

public goods when they directly benefit from greater economic growth in their jurisdictions — through improved taxation and other revenue-raising mechanisms (Weingast 2009).

Cambodia represents the opposite extreme according to Eng and Ear, as it granted substantial revenue raising responsibilities to district and communes, but constructed a limited public transfer system to go along with it, so that the median commune and district only receive about US\$46,000 and US\$132,000 respectively in equalizing transfers. Moreover, 80 per cent of these transfers are subsumed by personnel costs, so that only 50 cents per person actually go to the type of local development that might generate economic growth and fiscal convergence.

Administrative decentralization involves the allocation of executive power, specifically over the civil service and human resources, to local authorities. This entails the ability to: recruit and retain staff; allocate human resources according to local needs; hold personnel accountable to performance; and manage the financial resources necessary to make these decisions (Green 2007, p. 131).

The scope of administrative decentralization varies widely in our set of countries. Looking at the Philippines, Shair-Rosenfield shows that administrative decentralization is extensive, with a range of public services entirely in the hands of municipal authorities, including such vital responsibilities as healthcare, agricultural extension, and infrastructure maintenance. With regard to Myanmar, Ninh and Arnold show that administrative decentralization remains in its infancy, as most states and regions do not have dedicated bureaucracies and the vast majority of civil servants working in sub-national units are those from central ministries.

Based on his analysis of Vietnam, Vu Thanh Tu Anh makes an argument for "investment decentralization", a category that sits between fiscal and administrative decentralization. This comprises the ability to grant approval to domestic and foreign investment projects located within a given jurisdiction. Because the activity generates revenue through user fees and involves capital

flows, this responsibility could be considered as fiscal decentralization. On the other hand, managing investment projects also includes granting registration certificates, licences, and the regulation of the entities, which fall more under administrative decentralization. Indonesia, Cambodia, Philippines, and Thailand have all made progress in this intermediate category.

Finally, *political decentralization* provides for the local election of sub-national legislatures or executives, who have authority over a range of administrative and fiscal responsibilities. Most importantly, political decentralization allows for downward accountability to the local citizenry, who can shape policy through their choices of officials and can vote them out if they do not. Indonesia's "big bang" decentralization establishes it as one of the most ambitious reformers, as it created directly elected provincial and district legislatures, inspiring extensive political competition for local offices. In contrast, Vietnam's single-party regime and system of cadre evaluation leave little room for extensive political decentralization. As Vu Thanh Tu Anh shows, all key provincial officials fall under some form of direct central management of the Communist Party of Vietnam (CPV). Even for positions such as local People's Councils, which are nominally elected, CPV vetting plays a strong role in structuring the choices available to citizens. Vu Thanh Tu Anh illustratively calls this the "Party Elects, People Vote" system.

2.2 Extent of Decentralization

Next, scholars outline the depth of power actually granted to local authorities. *Deconcentration* is the most limited form of decentralization, whereby local leaders are merely agents of the centre. Under this arrangement, central ministries simply establish branch offices throughout the country. These branches have limited scope for independent decision-making and lack authority over the nature, quality, or manner of service provision in their jurisdiction. According to Ninh and Arnold, this is the case with most administrative responsibilities in Myanmar today, which are administered by centrally appointed bureaucrats

from the Ministry of Home Affairs and a wide range of branches of central government ministries. *Delegation* allows room for local leaders — rather than branches of the central government — to make decisions regarding service delivery, but these officials are subject to the oversight of the central government. Although delegation allows for the tailoring of service delivery to local needs, because local officials are in charge of the details, central authorities determine what should be spent and may also assign minimum service standards. Our authors locate Cambodia and Vietnam here. Vietnam, in particular, has decentralized expenditures, yet affords central authorities substantial control over sub-national government activities through targeted block grants for special development programmes such as poverty alleviation or infrastructure creation that parametrize the choices available to provincial leaders. *Devolution* is the most extensive mode of decentralization. Independent, and usually, elected sub-national governments are responsible for providing a range of public services and collect the revenue (through fees and taxes) to finance those services. Under devolution, sub-national governments are meant to have considerable flexibility in selecting the mix and level of services they provide (Cheema and Rondinelli 1983; White and Smoke 2005). Indonesia is the closest case we have to full devolution but, as OTS demonstrate, the dependence of many districts on central transfers undermines their theoretical discretion. Almost all governments experience different types of decentralization at the same time (Grindle 2007), choosing different allocations of power for different services and responsibilities.

2.3 Jurisdiction of Decentralization

For historical and political reasons, the countries discussed in this special issue chose different jurisdictions to be the primary recipients of decentralized authority. Because sub-national units are often nested within hierarchies of authority, this choice has significant implications for how we understand success. In the Southeast Asian cases, the choices made vary considerably across

and within countries according to our authors. In Vietnam, Philippines, and Thailand, the dominant choice for the decentralization of powers was the meso (provincial/state) level. This also appears to be the case for the emerging decisions in Myanmar. In Indonesia, concerns regarding potential secession convinced policymakers to decentralize to the district level, undermining the authority of the province. In Cambodia, the commune level, below the province and district, has been the most empowered unit but for slightly different reasons. According to Eng and Ear, keeping provinces and districts under central control provided more lucrative opportunities for patronage sinecures.

It is important to note that, in every case studied, decentralization occurred on more than one level. Thus, Indonesian provinces also received new powers. In Vietnam, districts and communes inherited new responsibilities as well. Thailand is perhaps the most confusing in this regard, distributing powers across a range of local authorities. In the next section, we discuss how multi-level governance of this type complicates decentralization by confusing the stakeholders who must operate within the maze of new authorities created.

3. Unmet Expectations

In every article in this issue, authors admit to disappointment regarding the outcomes achieved by decentralization. OTS write of Indonesia, “evidence for the hypothesized improvements in service delivery and downstream impacts on economic outcomes have not materialized” and acknowledge that decentralization has become a political flashpoint between an old guard of national elites and new regional champions. Shair-Ronsenfield studying the Philippines acknowledges that “local governments have been relatively ineffective in reducing poverty, crime, and corruption, with mixed findings on service delivery and promotion of development”. It is noteworthy that Indonesia and the Philippines are generally considered to be the successful cases!

In peninsular Southeast Asia, the authors offer even more severe criticisms. Eng and Ear conclude

that “Cambodia’s experience with decentralization suggests that meaningful decentralization, where substantial discretionary power and resources are devolved to locally accountable bodies, has not occurred. Instead, the power of local actors has been consistently undermined and controlled by the central government and the ruling party”. Unger and Mahakanjana argue persuasively that in Thailand decentralization was “hobbled by local governments’ inadequate fiscal resources and the meddlesome ways of central government officers”. Myanmar is just starting down the decentralization road, however, Ninh and Arnold report that “significant challenges of administrative incoherence, lack of coordination, uneven capacity, and bureaucratic inertia are stifling potential gains”. And, Vu Thanh Tu Anh writes pointedly that the decentralization programme managed to disappoint all of the stakeholders in Vietnam’s policy circle, including central elites, local officials, domestic business and citizens. He states that:

However, after more than a decade of accelerated decentralization, the results are far below the government’s own stated expectations. For the central government, decentralization has undermined the uniformity of national policies and encouraged unhealthy competition between local governments. For the local government, decentralization has not always been accompanied by necessary institutional and financial resources for the effective implementation of decentralization. Moreover, there has been a lack of synchronization between central ministries and a lack of consistency between different dimensions of decentralization. As a result, provincial governments, particularly the poorer ones, are still dependent on the central government for both policy instructions and financial subsidies. Finally, for the people and businesses — those ultimately affected by the decentralization policy — participation in major policy-making processes is generally still out of reach.

It is important to note that the distinction between the evaluations of our maritime and peninsular Southeast Asian cases is more than just relative

levels of disappointment. Indeed, the nature of the disappointment is also quite different. In the Philippines and Indonesia, observers appear frustrated that decentralization did not live up to its lofty marketing pitch. In Cambodia, Thailand, and Vietnam, the disappointment is that decentralization was never given a chance to succeed in the first place. For the second set of authors, decentralization was either not fully implemented or central interventions limited the effectiveness of the policies. Certainly, it is no coincidence that there are substantial differences in the levels of democracy on either side of this divide. Indonesia and Philippines, for all of their flaws, have managed to hold multi-party elections that have led to turnover in the holders of power. Cambodia, Myanmar, Thailand, and Vietnam currently represent varying degrees of non-democratic rule. In these cases, full-fledged decentralization could undermine the authority of central leaders, leading to strengthened regional elites with popular mandates that would be difficult to control. Indeed, OTS and Shair-Rosenfield make strong cases that empowered regional actors resisting central authorities is exactly what happened in Indonesia and Philippines, respectively.

In exploring the reasons for the under-performance of decentralization, the authors offer four explanations for the gap between theoretical predictions and real-world outcomes. These can be summarized as: (1) non-economic objectives; (2) unmet theoretical assumptions; (3) built-in tensions in complex decentralization processes; and (4) missed opportunities by end-users. We explore each of these explanations below.

3.1 Non-Economic Objectives

Decentralization may not have achieved the projected economic and governance benefits in the countries analysed, not because of implementation issues, but because these were actually never the main objectives. Economic and productivity goals were useful for: selling the policy; winning international aid for the effort; and building a broad pro-decentralization coalition. Yet, non-economic

objectives may have been the true motivation all along. In exploring the Indonesian case, OTS point out a remarkable puzzle. Despite the overwhelming evidence that the downstream impact of decentralization never materialized in Indonesia, the policy continues to enjoy widespread popular support with nearly three-quarters of citizens holding positive views. The authors note that part of the support stems from misperceptions about whether service delivery has improved, but also follow Mietzner (2014) in recognizing that greater regional authority has bolstered unique regional identities that were suppressed by the post-World War II nation-building exercise. Decentralization has limited the domination of Java, given space for local cultural expression, and allowed for choice that has legitimated local authorities and regional elites (see Olken 2010).

As the authors note, these motivations for decentralization were visible at the very onset of the process. OTS point out that the “big bang” decentralization was a surprise, because it had not been a feature of economic reform discussions prior to 1998. But, upon closer reflection, decentralization in Indonesia was, in large part, a reaction to the centralized authoritarianism of the New Order regime and a response to emerging separatist movements. The economic objective may have been secondary to historical and political motivations.

Similar non-economic objectives are visible in the other cases. In the Philippines, Shair-Rosenfield highlights how the Act Enabling the Local Government Code enacted in 1983, which created the framework for future decentralization, was an attempt to counteract the centralizing activities that had taken place under the Marcos regime. Moreover, the creation of the Autonomous Region of Muslim Mindanao in 1979 and the 1989 Republic Act enhancing its autonomy arose from the same attempts to offset a separatist movement that were observed in the Indonesian case. Very similar goals of enhancing regional identities and using decentralization to engender democratization from below were observed in Thailand in 1990s, through creating a “hospitable environment” for decentralization advocates. Today, anti-Thaksin

forces also now see decentralization as a way of counter-balancing the centripetal forces that led to the concentration of power he enjoyed between 2000 and 2006. Non-economic objectives also appear to be visible in the case of Myanmar. At a much earlier stage, we see the same political objectives of shifting away from a previous authoritarian regime and placating ethnic and regional conflicts. It is important to keep in mind the multi-dimensional decision-making landscape before drawing entirely negative conclusions about the merits of decentralization.

3.2 Unmet Theoretical Assumptions

In his analysis of decentralization in Vietnam, Vu Thanh Tu Anh takes a different approach, asking whether the country met the necessary preconditions for decentralization to succeed. His critique fits with a larger set of arguments about the assumptions underpinning the formal models of decentralization. Building formal models always requires abstraction and simplifying assumptions in order to derive general hypotheses, but policymakers need to be aware of those assumptions when attempting to implement their prescriptions. In particular, the workhorse models of decentralization require: (1) perfect labour and capital mobility, so that workers and firms can move to take advantage of sub-national differences in public services, outcomes, and opportunities; (2) perfect information, so citizens and businesses can learn about what their local leaders and their competitors are doing, allowing sanctioning, advocacy for change, or exit by moving to alternative locations; (3) seamless connections between citizens' demands and sanctioning capacity; and (4) symmetric initial endowments for geographic units, so that some governments do not enter decentralization with immediate advantages and handicaps.

Other authors have explored the problems with these assumptions. Treisman (2007) pointed out in a devastating critique that many of the theories undergirding the decentralization wave were not logically coherent, contradictory, or depended on unrealistic assumptions that were difficult to

meet in practice. Pepinsky and Wihardja (2011) argue that the inability to identify growth benefits from decentralization in Indonesia resulted from breakdowns in the first and fourth assumptions. Capital and labour markets proved to be far stickier for cultural and logistical reasons than would be necessary for the competition mechanism to kick in, and extreme heterogeneity in initial endowments gave some districts an insurmountable head start, while poorly-endowed places actually saw their economic prospects worsen.

Vu Thanh Tu Anh's contribution is to highlight the problems that occur when the second and third assumptions are not met, showing how limited transparency and accountability undermine the benefits of decentralization. Using annual survey data from Vietnamese citizens and businesses, he shows how they lack rudimentary information on budget allocations and legal procedures. This means that citizens do not really know how governments spend money and therefore cannot fulfil their monitoring role. Similarly, he shows that flawed elections and capture of local governments mean that citizens do not have viable means of holding local officials accountable.

The Vu Thanh Tu Anh critique is in line with Wibbels (2006), who criticized the unrealistic nature of the assumption of perfect information that enables the emergence of informed local movements and activist constituencies. Entrepreneurs and workers often cannot relocate because they are not fully informed about which level of government provides a particular service (Rodden and Rose-Ackerman 1997). Also, newly empowered local authorities do not have full information on local preferences (Cai and Treisman 2004; Treisman 2007). Citizens do not have enough knowledge of local policy or the relative performance of their locality to advocate for change. Monitoring may pose a collective action problem for local citizens, as the time costs of adequately ferreting out malfeasance in every public service quickly outweigh the individual benefits (Olken 2007). Even when corruption and poor performance can be identified, Gelineau and Remmer (2006) show that citizens may attribute the activities to the wrong level of government.

In fact, Olken (2007) shows that the best way to reduce local-level corruption is to break the collective action problem and grip of local elites by threatening an audit from central authorities.

3.3 Internal Contradictions in Decentralization

The logistical complexities of decentralization in multi-tiered countries proved more daunting than was anticipated by the theoretical literature and proponents of decentralization (Rodden and Wibbels 2002). One feature not always appreciated by decentralization advocates that comes across in these Southeast Asian cases is that states choose a variety of mixes within and across the forms discussed above (arena of decentralization, extent of power, and level), leading to complex interactions that can generate difficulties for the benefits of decentralization to fully emerge. To offer just a few examples:

The interaction between fiscal and administrative decentralization: States that choose administrative decentralization without fiscal decentralization can handcuff sub-national leaders, leaving them without the proper budget resources to motivate local bureaucrats or pursue innovative local policies. Vu Thanh Tu Anh argues that this is the case in Vietnam as, when one-off revenue enhancements from land sales ran out, many provinces were left without the proper resources to fulfil their administrative mandates. Ninh and Arnold show that a related problem haunts decentralization efforts in Myanmar, which are plagued by a lack of clarity in the assignment of expenditure responsibilities.

In fact, these contradictions form the core of what some of the authors refer to as the “ambivalence” of central leadership towards decentralization. In Cambodia, Vietnam, and Thailand, the authors argue that central leaders, wary of decentralization spiralling out of control and leading to a loss of political power, have intentionally deprived local governments of necessary capacities or resources to fulfil their mandates, or invented intermediate central institutions that have complicated the transfer of power. Consequently, part of the negative tone in the articles comes from a belief

by the authors that these contradictions were intentional and built-in to the very design of decentralization programmes.

On the other hand, states that simultaneously decentralize fiscally and administratively may generate tremendous inequalities as better-endowed localities enter virtuous circles of business attraction and revenue generation, while poorly-endowed localities enter vicious cycles of declining human capital, business out-migration, and declining revenue that makes it impossible to rectify these difficulties. In Indonesia, this has definitely been the case due to a system of own-source revenue that was heavily biased towards natural resource and land endowments, leaving many districts dependent on central transfers. According to OTS, almost 90 per cent of expenditures are now funded through this mechanism. This has been further exacerbated as cash-strapped officials who have raised administrative and service fees on businesses to try overcome revenue gaps. In Thailand, the constraints are at the local level, where officials often lack the scale and capacity to carry out mandates dictated by central authorities.

Different extents of decentralization for different administrative services: Again, the theoretical literature has not fully delved into the fact that administrative decentralization encompasses a broad array of regulatory, bureaucratic, and public service activities that affect business performance. For instance, regulatory activities include such diverse regulations as business entry and registration, tax collection, environment, sanitation, public safety, natural resource exploitation, and customs. Bureaucratic activities may include maintaining business land and property registries, land clearance and rezoning, public procurement contracting, as well as staffing and budgetary allocations. Public services include policing, general education and vocational training, infrastructure allocation and maintenance, and utility provision. A common issue for citizens and local businesses is that the extent of power granted to officials for each of these administrative activities may vary dramatically. Sub-national officials may have complete control over land clearance, but far less authority over infrastructure allocation. Businesses

might be inspected by the local sanitation department and the central environmental regulator. If well thought-out, this division of powers can work well, but when powers overlap or incentive structures differ across administrative offices, serious difficulties arise. For instance, according to Vu Thanh Tu Anh, Vietnamese companies may register their business and buy land in the province quickly, but may still be held up for years, because a special central licence is needed for their specific manufacturing sector.

The problem of divergent extents of decentralization manifests itself most vividly in the Thai case. In order to guarantee the quality of service delivery, the Thai legislature put in place a set of checks that needed to be met before responsibilities for education and healthcare services were transferred. This, along with rigorous auditing requirements, have led to hold-ups in services vital for citizens. One telling example was a requirement that municipal officials must meet a set of rigid bureaucratic criteria including the authorship of a statement outlining their vision for municipal management, which must be evaluated by three university professors. The problem is that only ten faculty members at the country's leading universities are capable of approving such a document.

Decentralization to different levels of government: A final tension has to do with the location of powers in different jurisdictions. Problems with the level of decentralization can be exacerbated, however, when different arenas of power are decentralized to different levels of government. In the articles in our special issue, three issues emerge.

For political decentralization, constituents may not be entirely aware of which sub-national unit is responsible for particular services, making it difficult for them to fulfil their monitoring and sanctioning responsibilities. This is a particular problem in Indonesia, which has elected representatives at village, district, and provincial levels. Shair-Rosenfield also acknowledges this problem in the Philippines.

For administrative decentralization, citizens and businesses must navigate a complex maze of

regulatory activities with vital activities occurring at different levels of authority. In Vietnam, for instance, land provision takes place at the district level, while business registration takes place at the province level. In Cambodia, political decentralization occurred at the commune level, so that elected commune councils have been provided with a large number of powers. All business-related administrative activities (from registration to inspections), however, remain at the province level. On occasion, businesses have been caught between the demands of popularly elected councils and the official rights granted to them by provincial officials.

For all types of decentralization, the arrangements can set off battles between different levels of government, as higher levels starve lower levels of vital resources or interfere in their activities, or lower levels refuse to implement the objectives of higher authorities. These problems appear to be most severe in Myanmar, as it still lacks a large number of formal rules for clearly delineating and adjudicating disputes. The authors of the Cambodian, Indonesia, and Thailand articles acknowledge similar disputes, despite longer histories with decentralization. Nevertheless, clan politics have made this particular problem most salient in the Philippines, as family dynasties and patronage resources have allowed provincial governors to encroach on the authority of local levels, a phenomenon that Shair-Rosenfield refers to as "ad hoc usurpation".

3.4 Wasted Opportunities

A final explanation for the disappointment regarding decentralization places the blame on citizens who did not uphold their side of the bargain, failing to uphold their monitoring responsibilities and not organizing to mobilize and challenge local authorities. The only paper to make this claim explicitly is Unger and Mahakanjana, when they state that "existing institutional arrangements have presented a favourable range of opportunities that local leaders and citizens have failed to exploit". It is a unique position, as almost every other paper blames the institutional

arrangements or the will of central authorities. Pushing a bit harder on the claims of the other papers, some of the mechanisms for the failure of decentralization measure also depend a great deal on the complicity of citizens. The ability of patronage politics to undermine local authority in Philippines and Thailand depends upon citizens accepting individual payoffs over the collective benefits of voting and sanctioning. In Indonesia, Olken (2007) used a randomized experiment to demonstrate how collective action problems impeded the ability of village councils to effectively monitor corruption in road building projects, even when they explicitly granted authority. Revenue shortfalls in some local governments can be blamed on high levels of tax evasion and strategic informality by local businesses. The puzzle is why citizens have not seized the opportunities afforded to them, leading to the policy question of what institutional arrangements might best mobilize citizen activity.

4. Recentralization

When we set out to commission articles for this special issue, our expectation was that the evident disappointment regarding decentralization efforts in the region would engender significant recentralization efforts as a corrective. While recentralization efforts have occurred, it is interesting that very few of them have been successful at actually reversing previous measures.

Three countries in our sample have experienced recentralization efforts: Vietnam; Indonesia; and Thailand.

Vietnam experimented with removing the elected District People's Councils, which was a pillar of bottom-up accountability. Nevertheless, despite evidence of efficiency gains in public service delivery from this measure, according to Vu Thanh Tu Anh, the constitutional revisions of 2013 ultimately opted not to continue the experiment.

In Indonesia, OTS point to several attempts at parameterizing legislations, including: a 2007 regulation which allowed ministries to establish norms and standards for sub-national performance (Regulation 38/2007); a moratorium on district

splitting in 2009; and the transferring of natural resource planning and management upwards to the provincial level in 2014. The authors see these measures as adjustments rather than efforts to recentralize, correcting for some of the excesses of decentralization without reversing the overall intent.

A far more aggressive attempt at recentralization, however, came about after the 2014 elections, when Prabowo Subianto's Merah-Putih coalition — which lost the presidential election but still had a measure of control in the legislature — pushed through legislation abolishing direct elections for local-level executive positions. As OTS point out, eliminating local elections would give the central party elites far greater control over local political dynamics, as parties would regain leverage over increasingly autonomous regional elites. The change was met with severe criticism and accusations of corruption, leading the outgoing President Yudhoyono to pass a government decree that reversed the legislation and restored elections. Thus, just as in the Vietnamese case, an attempt at recentralization was ultimately reversed.

The lone exception to this pattern is Thailand, which differs from global trends in important ways. First, recentralization efforts occurred much earlier as a result of Thaksin's rise to power. Second, the back-and-forth about recentralization has been simultaneously occurring with the debates over democracy at the elite levels. Unger and Mahakanjana provide a fascinating blow-by-blow account of how shifts in views about decentralization appear to be interacting with the balance of power in the national government. The authors argue that support for democracy on one hand, and for decentralization on the other, have become uncoupled. Red Shirt supporters favoured Thaksin's centralizing efforts through national level policies, but have pushed for greater decentralization and regional autonomy since his ouster. Decentralization was marginally accelerated by the 2006 military government, aiming to reverse the centripetal tendencies of Thaksin. However, momentum was halted by the military junta's 2016 constitutional release that aimed to ward off a new Red Shirt challenge.

In the other cases, recentralization has not been a central pillar in political debates. In Myanmar, of course, the thrust of activity is now on furthering decentralization. In the Philippines, Shair-Rosenfield argues that, despite decentralization's limited achievements and the capture of local governments by political clans, there is little enthusiasm for reversals because of the pivotal role that local governments play in generating votes in national elections and popular views that the central government is corrupt and incompetent. In Cambodia, Eng and Ear make a strong case that recentralization is irrelevant as central policies, which have deprived local governments of resources and genuine authority, have prevented decentralization from flourishing in the first place.

5. Conclusion

The impressive research and findings unveiled in the articles in this issue leave scholars of decentralization in a tenuous position. Decentralization has not fulfilled its economic and governance promises, even in the countries where it was implemented most earnestly. On the other hand, there appears to be little elite or popular enthusiasm in the cases surveyed for reversing the process. Right now, there is no obvious answer on what the right model for structuring authority in large, multi-ethnic states with complex economies that we see in Southeast Asia might be. Therefore, in lieu of conclusions, which would be presumptuous at this stage, we offer some questions that might hopefully generate research efforts that may lead us out of this awkward halfway house.

Can a form of decentralization be devised that provides the non-economic and economic benefits of decentralization while curbing the excesses that undermine effectiveness and exacerbate inequalities? The second generation fiscal federalism literature has suggestions on how to approach this problem in the domains of public finance (Weingast 2014; Rodden 2016) by increasing inter-jurisdictional transfers and retraining programs, but our authors also raise

important questions about weaknesses observed in the domains of political and administrative decentralization.

What is the relationship between decentralization and democratization? As we noted above, there are two main manifestations of negativity in these contributions — disappointment that decentralization's goals were not achieved and dissatisfaction that decentralization was never honestly attempted. The latter is observed entirely among the more non-democratic countries in our cases. Probing deeper, the authors studying Cambodia, Myanmar, Thailand, and Vietnam all connect weakness in implementation to fears that authoritarian elites may lose control. Political theorists from De Tocqueville and John Stuart Mill to Archon Fung (2004) have pointed to local-level participatory democracy as an opportunity to learn and assimilate democratic values. The idea of a local government as a training ground, however, depends on the willingness of the central government to permit such education. As the articles in this journal indicate, non-democratic regimes are aware of the dangers of to their longevity and will work to constrain this particular educational effort.

Beyond political decentralization, authoritarian regimes do sometimes see the benefits of administrative and fiscal decentralization when it generates competition and innovation. This is especially true in single-party regimes with quasi-meritocratic promotion that inspires competition for promotion among sub-national leaders (Landry 2008; Coase and Wang 2012; Bell 2015). As Vu Thanh Tu Anh and Eng and Ear demonstrate, however, this delegation is allocated carefully to achieve central goals while maintaining enough levers to shut off the financial taps or other resources if locals take too much advantage of their freedom. Some scholars have referred to this as “regional decentralized authoritarianism” (Xu 2011).

How can capture of the local government process by powerful companies or clans be avoided? In every case, the authors note that the pathway between local views and sanctioning

capacity that is necessary for decentralization to work is not functioning properly, limiting the accountability of local officials and allowing these offices to be captured (Campos and Hellman 2005). Reducing the role of patronage and vote-buying in local politics to restore true sanctioning capacity will be a critical component of any new model of decentralization.

At the end of the day, these six articles provide an important contribution to theory-building in this important research and policy arena. In the pages

that follow, readers will be treated to thick and carefully detailed descriptions, which embrace the complexity and nuance of local-central relations but use a common language and theoretical apparatus to analyse their cases. The result is a real asset for comparative political work that we hope will be the launching-pad for future work. Certainly, the debate is far from over. As well-done as these pieces are, and as many puzzles as they resolve, reading them as a cohesive package reveals how much more work there is still to do.

NOTE

1. Rodden (2006) and Wibbels (2006) offer the most extensive analyses of the political and economic implications of these initiatives.

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