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Decentralization, Local Government Oversight Gaps, and Corruption Risk: *A Systematic Literature Review*

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Abstract

Decentralization reforms have been promoted for four decades as a route to more responsive, efficient, and accountable government. Yet a substantial and growing body of research finds that transferring fiscal, administrative, and political authority to subnational governments frequently outpaces the parallel transfer of oversight capacity, creating gaps that local elites and officials can exploit. This article presents a systematic literature review of the relationship between decentralization, local government oversight gaps, and corruption risk. Drawing on peer-reviewed journal articles, working papers, and institutional reports published between 1998 and 2026, the review synthesizes evidence across three broad strands: (a) cross-country econometric studies of fiscal and political decentralization and corruption; (b) institutional and case-based studies of internal control, audit, and horizontal accountability mechanisms at the subnational level; and (c) political economy studies of elite capture, electoral accountability, and community monitoring. The review finds that the decentralization-corruption relationship is neither uniformly positive nor negative but is conditioned by the design of accountability institutions, the sequencing of reforms, the strength of civil society and media oversight, and the degree of fiscal versus political decentralization pursued. Local oversight gaps understaffed audit units, weak internal controls, limited access to information, and thin electoral competition emerge repeatedly as the proximate mechanism through which decentralization elevates corruption risk. The review concludes by identifying methodological and thematic gaps in the literature and by outlining an agenda for future research and policy design.

Keywords: decentralization; local government; oversight; accountability; corruption; elite capture; public financial management; systematic review

Introduction

Since the 1980s, decentralization has been one of the most widely adopted public sector reforms across both developed and developing countries. Proponents have argued that shifting fiscal, administrative, and political responsibilities closer to citizens improves the match between public services and local preferences, strengthens democratic participation, and makes it easier for citizens to monitor and discipline the officials who spend public money (Julius & Geofrey, 2025b; Julius & Mategeko, 2025a; Julius & Nalukwago, 2025). This optimistic account rests on a simple logic: proximity between citizens and government should reduce the information asymmetries that make corruption possible, because local residents can observe local spending more directly than they can observe distant national bureaucracies (Haas, 2022; Julius & Sula, 2025a; Kredo et al., 2014; Nunes & Ferreira, 2022; Zhu et al., 2025). A parallel and increasingly influential body of scholarship complicates this account. Critics have long argued that the case for decentralization was frequently made in a general and normative way, with comparatively weak systematic empirical grounding, and that the actual results of reform have varied enormously across countries and sectors (Ding et al., 2024; Julius & Sula, 2025b; Julius & Twinomujuni, 2025a; Nguyen et al., 2025; Obonyo & Muhumuza, 2023). Where decentralization reassigns discretion over budgets, procurement, licensing, and personnel to subnational officials without a commensurate build-out of external audit institutions, judicial oversight, free press, and civil society

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monitoring, the reform can create new opportunities for rent extraction rather than eliminating old ones (Meyerson, 2023; Nakagaayi et al., 2024; Z. Zeng, 2023). Local officials, freed from certain forms of central scrutiny, may face weaker courts, less independent media, and less organized civil society at the local level than existed nationally, producing what several authors describe as a transfer of corruption rather than a reduction of it (Chen & Yang, 2024; Julius & Geofrey, 2025a; Julius & Twinomujuni, 2025c; Kesale, 2024).

This tension between the optimistic and the cautionary accounts of decentralization has generated a large, fragmented, and often contradictory literature. Some cross-country statistical studies report that fiscal decentralization is associated with lower measured corruption; other studies, particularly those examining specific countries or sectors, document local capture, budget inflation, and bribery following the transfer of authority to subnational units. Reconciling these findings requires close attention to the specific dimension of decentralization being studied (fiscal, administrative, or political), the accountability architecture surrounding it, and the institutional context in which reform occurs (Julius & Godfrey, 2025; Patrick et al., 2021; Wang, 2025; Zhao et al., 2024). This article undertakes a systematic literature review to organize this fragmented evidence base around a specific analytical question: under what conditions does decentralization widen the oversight gap at the local government level, and through what mechanisms does this gap translate into corruption risk? The review is structured as follows. Section 2 defines key concepts and situates the review within existing theoretical frameworks (Julius & Geofrey, 2025c; Julius & Mategeko, 2025c; Julius & Nancy, 2025; Julius & Twinomujuni, 2025b). Section 3 describes the review methodology. Section 4 presents the theoretical perspectives that structure the empirical literature. Section 5 synthesizes the empirical findings thematically. Section 6 discusses the synthesis and identifies moderating conditions. Section 7 sets out research gaps, Section 8 draws out policy implications, Section 9 notes limitations of the review, and Section 10 concludes.

Conceptual Framework and Key Definitions

Decentralization

Decentralization is not a single reform but a bundle of distinct transfers of authority, commonly disaggregated into three types. Fiscal decentralization refers to the devolution of revenue-raising and expenditure authority to subnational governments. Administrative decentralization refers to the transfer of responsibility for planning, financing, and managing public functions from central to local bureaucracies, and is often further divided into deconcentration (transfer to field offices of central ministries), delegation (transfer to semi-autonomous agencies), and devolution (transfer to fully autonomous local governments) (José da Silva & Silva, 2023; Tolera et al., 2020; Tolkmitt et al., 2022; Yong & Liangsong, 2017). Political decentralization refers to the transfer of political authority and accountability, typically through the election of subnational officials. These three dimensions can move at different speeds and to different degrees within the same country, and much of the disagreement in the empirical literature traces back to studies conflating them or measuring only one dimension while drawing conclusions about decentralization in general (Kiganda et al., 2024; Ohrling et al., 2021).

Oversight Gaps

An oversight gap, as used in this review, refers to a shortfall in the institutional capacity to detect, deter, and sanction the misuse of public authority at the level of government to which functions have been transferred. Oversight is understood broadly to include vertical mechanisms (central government audit, judicial review, conditional grant

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monitoring), horizontal mechanisms (local legislative councils, internal audit units, procurement review boards), and diagonal or societal mechanisms (a free press, civil society organizations, social audits, and citizen monitoring) (Julius & Mategeko, 2025b; Razavi et al., 2022; Tebkew & Atinkut, 2022). Oversight gaps arise when the pace of devolving discretion outstrips the pace of building or extending these mechanisms to the local level, when local oversight bodies lack independence from the officials they are meant to monitor, or when oversight institutions are formally present but under-resourced, understaffed, or politically captured.

Corruption Risk

Corruption is commonly defined as the abuse of entrusted public authority for private gain. Corruption risk, as distinct from realized corruption, refers to the structural conditions that increase the probability that such abuse will occur and go undetected or unsanctioned—conditions such as high officials' discretion, low transparency, weak monitoring, and low probability of punishment (Feng & Xie, 2024; C. Zeng & Zhao, 2023). This review is concerned with how decentralization reconfigures these structural conditions at the subnational level, recognizing that measured corruption outcomes (bribery surveys, audit findings, prosecutions) are only imperfect proxies for the underlying risk environment.

Measuring Corruption and Oversight at the Local Level

A recurring methodological challenge in this literature is that corruption is, by definition, a hidden transaction, and researchers must rely on imperfect proxies to study it. Perception-based indices, widely used in early cross-country work, capture the general reputation of a jurisdiction for corruption but are vulnerable to reporting bias and are typically only available at the national rather than local level, limiting their usefulness for studying subnational variation (Andrew & Benard, 2024; Julius et al., 2026; Quan & Liu, 2025). Audit-based measures, most prominently developed through Brazil's randomized municipal audit program, offer a considerable methodological advance by generating an objective, transaction-level estimate of misappropriated resources that can be compared across municipalities and over time, though such programs remain rare and geographically concentrated. Case-based and qualitative measures, including interviews, document analysis, and process tracing of specific procurement or personnel decisions, provide rich detail on the mechanisms of local corruption but are harder to generalize or compare systematically across contexts (Langi et al., 2022; Martynenko et al., 2025; Tonelli & Gibson, 2024). This review treats these three measurement traditions as complementary rather than competing, since each captures a different facet of the same underlying phenomenon, and notes that the scarcity of audit-based measures outside a small number of countries is itself a significant constraint on what the broader literature can currently establish with confidence.

Methodology

This review follows a systematic approach broadly consistent with PRISMA-style reporting standards that have been used in recent systematic reviews of corruption and decentralization research, adapted to a narrative synthesis format appropriate for a heterogeneous, cross-disciplinary literature spanning economics, political science, and public administration.

Search Strategy and Sources

Consistent with recent systematic reviews of local corruption and anti-corruption policy, which have drawn on databases such as Scopus, Web of Science, and JSTOR, this review synthesizes literature identified through structured

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searches combining terms for decentralization ("decentralization," "devolution," "fiscal federalism," "local autonomy") with terms for oversight and corruption ("corruption," "accountability," "audit," "elite capture," "local government," "public financial management"). Sources include peer-reviewed journal articles in public administration, development economics, and political science; institutional reports from multilateral organizations; and working papers from established research institutes.

Inclusion and Exclusion Criteria

1. Included: studies that examine at least one dimension of decentralization (fiscal, administrative, or political) in relation to corruption, accountability, or oversight capacity at the subnational or local government level.
2. Included: cross-country quantitative studies, single- or multi-country case studies, and conceptual or theoretical papers that have shaped the field's framing of the decentralization-corruption relationship.
3. Excluded: studies concerned solely with corruption at the national or international level with no subnational or local government dimension.
4. Excluded: purely descriptive policy briefs lacking an identifiable empirical or theoretical contribution.

Screening and Synthesis Approach

Given the heterogeneity of methods and disciplinary traditions represented in this literature—ranging from cross-national panel regressions to single-country audit-based natural experiments to qualitative case studies—a narrative and thematic synthesis approach was adopted rather than meta-analysis. Studies were grouped into recurring themes that emerged inductively from the corpus: (i) cross-country evidence on fiscal decentralization and corruption; (ii) institutional studies of internal control and audit gaps; (iii) elite capture and local political economy; (iv) electoral and diagonal accountability mechanisms; (v) sector-specific and country-specific case evidence; and (vi) anti-corruption policy design at the local level. This thematic structure organizes Section 5 below.

Theoretical Perspectives

Fiscal Federalism and the Optimistic View

The classical fiscal federalism tradition, associated with Tiebout's model of local competition for mobile residents and later formalized by Oates, provides the theoretical foundation for the optimistic view of decentralization. In this framework, competition among jurisdictions for residents and investment disciplines local officials, and the informational advantage of local government over central government in matching services to local preferences improves welfare (Kredo et al., 2014; Nunes & Ferreira, 2022). Extensions of this framework to corruption argue that yardstick competition—citizens comparing the performance of their local government to neighboring jurisdictions—can substitute for weak formal oversight by providing an informal benchmark against which to judge local officials.

Principal-Agent Theory and Multiple Principals

A second influential framework treats the relationship between citizens and public officials as a principal-agent problem characterized by information asymmetry: citizens (principals) cannot perfectly observe the effort and honesty of officials (agents), creating space for the agent to divert resources. Decentralization is theorized to shorten the principal-agent chain, in principle improving monitoring. However, scholarship on "multiple principals" complicates this picture: local officials frequently answer to central government line ministries, local legislative councils, donor agencies (in aid-dependent settings), and citizens simultaneously, and each principal may have different, occasionally

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conflicting, monitoring incentives and capacities (Ding et al., 2024; Muriisa, 2008). Where central oversight recedes faster than local oversight capacity is built, the net effect can be a weakening rather than a strengthening of the principal's ability to discipline the agent.

Public Choice and Rent-Seeking

Public choice theory frames decentralization as reallocating rents rather than eliminating them, predicting that local politicians and bureaucrats will behave as rational rent-seekers subject to the specific constraints of their local institutional environment. Under this lens, whether decentralization increases or decreases aggregate corruption depends on whether local rent-seeking opportunities and constraints are, on net, weaker or stronger than those that existed centrally—an empirical rather than a purely theoretical question (Duan, 2025; Nguyen et al., 2025).

Elite Capture and Local Political Economy

A distinct strand of theory, most closely associated with the concept of elite capture, argues that local decision-making processes are more easily dominated by concentrated local economic and political elites than national processes, particularly in settings with high local inequality, limited land or asset redistribution, and weak organized countervailing groups (Obonyo & Muhumuza, 2023). Local elites, by virtue of proximity and social ties to local officials, may be better positioned to capture the benefits of decentralized programs—public works contracts, targeted transfers, land allocation—than diffuse citizen groups are positioned to monitor them. This theoretical strand provides the clearest mechanism connecting decentralization to corruption risk through the pathway of oversight failure: elite capture is, in essence, oversight capture.

Thematic Synthesis of Findings

Cross-Country Evidence on Fiscal Decentralization and Corruption

Cross-national econometric studies present a genuinely mixed picture. Influential work using cross-country panel data has found that fiscal decentralization in government expenditure is consistently associated with lower measured corruption, a result reported as robust to a range of specifications and not driven by outlier countries. Other cross-country analyses find that the corruption-reducing effect of decentralization is considerably stronger in unitary states than in federal systems, and that among non-industrial countries, the deeper drivers of corruption are better explained by weak service orientation in the public sector, weak democratic institutions, and closed economies than by the degree of decentralization itself. Early reviews of this literature caution that much of the pro-decentralization argument in policy circles historically outpaced the systematic empirical evidence available to support it, and that the direction of the relationship is highly sensitive to country context, the specific fiscal indicator used, and whether political and administrative decentralization are controlled for separately from fiscal decentralization.

Taken together, this strand suggests that aggregate, cross-country fiscal decentralization indicators are poor predictors of local corruption risk in isolation; the sign and magnitude of the relationship depends heavily on the accountability architecture within which fiscal transfers occur, a theme echoed throughout the more institutionally grounded literature reviewed below.

Institutional Studies of Internal Control and Audit Gaps

A distinct and more institutionally granular literature examines internal control and audit functions within local government organizations directly. Studies of internal control mechanisms in local government revenue departments

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find that, despite the existence of formal legislation mandating internal audit, substantial implementation gaps persist in practice—including understaffed audit units, inadequate written procedures, and limited access to the financial information necessary to conduct meaningful reviews. This research identifies competent personnel, legislative compliance, interdepartmental collaboration, and the use of information technology as the factors most strongly associated with effective internal control, and recommends the formal establishment of dedicated internal audit functions and adherence to professional auditing standards as concrete remedies.

Complementary work on external audit programs demonstrates that when central governments do invest in randomized or systematic external audits of local governments, these programs generate valuable natural experiments for measuring local corruption and its determinants, discussed further in Section 5.4 below. The consistent finding across this sub-literature is that formal audit mandates are necessary but insufficient; without adequate staffing, independence, and enforcement follow-through, audit institutions become oversight in name only, and it is this gap between formal mandate and operational capacity that appears to concentrate corruption risk at the local level.

Elite Capture and Local Political Economy

Case-based and comparative studies of elite capture describe a recurring pattern: in settings where decentralization is not accompanied by adequate external supervision and civil society engagement, municipal governance systems become vulnerable to embezzlement of public funds and bribery in exchange for access to public services and public jobs. Small-scale procurement is repeatedly identified as a particularly high-risk function under decentralization, because transactions that would attract formal bidding processes, oversight committees, and media scrutiny at the national level may instead occur through informal networks with far fewer observers when responsibility is transferred to a local facility manager or department head. This literature also documents an important and somewhat paradoxical cost dimension: building the qualified staff, financial management systems, procurement procedures, and audit processes required to manage newly decentralized responsibilities well can itself be expensive, occasionally offsetting some of the efficiency gains decentralization was meant to deliver, and creating a transitional period during which capacity lags behind formal authority—precisely the period in which oversight gaps and associated corruption risk appear most pronounced.

Studies specifically addressing Indonesia's post-1998 decentralization reforms illustrate this dynamic in detail. Analyses of Indonesia's rapid, large-scale transfer of authority to regional governments find that the reform did not consistently stimulate the intended regional development outcomes and, in its early stages, produced negative side effects, with subsequent research contending that the substantial authority granted to local governments over public service provision paradoxically fueled corruption through mechanisms including bribery and budget inflation. Case study research examining multiple local government institutions in Indonesia similarly documents the paradoxical effects of decentralization reforms whose anti-corruption ambitions have, in several sub-national contexts, yet to produce the expected results, notwithstanding continued institutional reform efforts and the strengthening of formal anti-corruption measures over time.

Electoral and Diagonal Accountability Mechanisms

A methodologically distinctive strand of the literature uses randomized government audit programs to measure political corruption directly and to test which institutional features constrain it. Research using Brazil's federal anti-

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corruption audit program, which has randomly audited thousands of municipalities, constructs objective, audit-based measures of the share of transferred federal resources misappropriated by local governments. This research finds that mayors eligible for re-election misappropriate substantially fewer resources than mayors who are not eligible for re-election, with the gap widening further among municipalities with less access to information and where the probability of judicial punishment is lower; separate analyses using the same data find that municipalities where mayors are serving a final, non-renewable term exhibit a substantially larger share of misappropriated resources than municipalities where re-election remains possible. Together, these audit-based studies provide some of the most credible causal evidence in the field that electoral accountability constrains corruption, and that this constraint operates conditionally on complementary oversight mechanisms such as information access and judicial enforcement, rather than as a substitute for them.

This literature also emphasizes that horizontal and diagonal accountability institutions—courts, audit bodies, an independent media, and organized civil society—must be understood alongside elections in explaining why democratic decentralization sometimes fails to constrain local corruption in practice. Theoretical and empirical work on accountability failures in developing-country democracies argues that the expected cost of punishment for a corrupt official, which depends on the strength of the judiciary and auditing bodies, is a key parameter determining whether decentralization's electoral accountability channel functions as intended; where this expected cost is low, elections alone provide only weak discipline, regardless of how frequently local officials face re-election.

Sector-Specific and Country-Case Evidence

Sector-level studies add further nuance by showing that the decentralization-corruption relationship can vary within a single country according to which local institutional arrangements govern a given sector. Analysis of decentralized health sector reform in Honduras finds that outcomes for corruption and service delivery vary substantially across subnational units within the same national reform, driven by differences in local institutional arrangements rather than by the fact of decentralization itself, echoing a broader recognition in the public administration literature that the effects of decentralization on public goods and service delivery are highly context-sensitive and cannot be inferred from national-level reform design alone. This body of work has made notable progress in systematically identifying which local institutional features—procurement rules, personnel systems, community oversight boards—tend to support versus undermine anti-corruption objectives in public service delivery across the Global South.

Anti-Corruption Policy Design at the Local Level

A recent systematic review of anti-corruption policy in Indonesia's decentralized governance system, employing PRISMA-guided methodology across Scopus, Web of Science, JSTOR, and the national SINTA database, concludes that the success of local anti-corruption policy depends jointly on institutional reform, capacity-building initiatives, and community participation, while noting that most existing research remains national in focus and fragmented into isolated local case studies that do not yet add up to a systematic understanding of how corruption evolves at the subnational level or how anti-corruption strategies actually perform once implemented locally. Complementary global policy research on citizen-facing accountability tools—social audits, citizen report cards, and grievance redress mechanisms—finds that such interventions are most effective in reducing corruption in service delivery when they address citizens' concrete private interests, achieve high levels of citizen participation, and are embedded in an

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enabling environment that includes access to information, an active and independent media, and credible sanctions; open government measures of this kind can reduce corruption indirectly even when their impact is difficult to measure with precision.

Local Government Procurement as a High-Risk Function

Across nearly every strand of the literature reviewed, public procurement recurs as the single function most consistently identified as a high-risk conduit for corruption under decentralization. Procurement combines several features that jointly elevate risk: high officials' discretion in supplier selection, specification-writing, and price approval; limited standardization of processes across many small local units compared to a single centralized procurement authority; and, in many decentralizing countries, thinner oversight capacity at the local level than existed within centralized procurement agencies prior to reform. Case evidence discussed above illustrates how the shift of even small-scale procurement decisions—such as the purchase of medical supplies for a rural health facility—from a centralized system with formal bidding, oversight committees, and media attention to a local system with fewer observers and weaker enforcement can create conditions conducive to supplier favoritism, kickbacks, and price inflation. This concentration of risk in procurement has practical implications for oversight design: because procurement is a recurring, transaction-level function rather than a one-time policy choice, it is particularly well suited to being monitored through standardized digital procurement platforms, e-procurement audit trails, and open-contracting data, tools that several studies identify as promising but still unevenly adopted across decentralized local governments.

Discussion: Synthesis and Moderating Conditions

Read together, the literature reviewed here does not support a simple, unconditional claim that decentralization either increases or decreases corruption. Instead, it supports a conditional claim: decentralization reshapes the local opportunity structure for corruption, and whether this reshaping raises or lowers corruption risk depends on the balance between the discretion transferred to local officials and the oversight capacity transferred, built, or already present alongside it. Several moderating conditions recur across the reviewed studies and merit particular emphasis.

First, the type of decentralization matters. Fiscal decentralization studied in isolation, particularly at highly aggregated cross-country levels, shows an inconsistent relationship with measured corruption, while more granular institutional and case-based studies of administrative and political decentralization more consistently identify oversight gaps as a proximate driver of corruption risk. This suggests that aggregate cross-country fiscal indicators may obscure considerable within-country and within-sector variation that only case-based and subnational-comparative research can detect.

Second, the sequencing and pace of reform matters. Studies of rapid, large-scale decentralization—most notably Indonesia's post-1998 reforms—repeatedly find that the speed of authority transfer outpaced the buildout of local financial management systems, audit institutions, and trained personnel, producing a transitional oversight gap during which corruption risk was elevated. This points to sequencing, rather than the ultimate scope of decentralization, as a key variable that cross-sectional statistical studies are poorly equipped to capture.

Third, complementary institutions condition the effectiveness of any single accountability mechanism. The Brazilian audit-based literature shows clearly that electoral accountability constrains corruption more strongly where

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information access is good and judicial punishment is credible, and less strongly where either is weak—implying that reforms which strengthen elections without also strengthening information disclosure and judicial enforcement are likely to achieve only partial gains. Similarly, research on citizen-facing accountability tools finds that their effectiveness depends on an enabling environment of free media, information access, and credible sanctions, rather than functioning as stand-alone solutions.

Fourth, local political economy conditions—particularly the degree of local elite concentration and the strength of organized countervailing groups—shape whether decentralized discretion is captured by narrow interests or subjected to broader local monitoring. This suggests that the same formal decentralization design can produce quite different corruption outcomes in more versus less economically and politically unequal localities within the same country.

A further point of tension in the literature concerns whether corruption, once entrenched at the local level, functions purely as a drag on development (the "sand the wheels" view) or can in some constrained circumstances act as an informal, if inefficient, mechanism for navigating excessive bureaucratic rigidity (the "grease the wheels" view). Recent empirical work applying this distinction to decentralized settings finds support for the sand-the-wheels view once decentralization has granted local governments substantial discretion over public service provision, with bribery and budget inflation identified as mechanisms that impose real efficiency costs rather than merely redistributing them. This suggests that, whatever theoretical plausibility the grease-the-wheels hypothesis may retain in heavily centralized, high-red-tape settings, it offers little support for tolerating corruption as a byproduct of decentralization once local discretion has expanded, since the empirical evidence in decentralized contexts points toward net efficiency losses rather than offsetting gains.

Research Gaps

Although the literature reviewed in Section 5 has grown substantially since the early cross-country studies of the late 1990s and early 2000s, it remains fragmented along disciplinary, methodological, and geographic lines in ways that limit the confidence with which general conclusions can be drawn. The following gaps stand out as priorities for future systematic and primary research.

- Fragmentation across disciplines and methods: cross-country econometric studies, audit-based natural experiments, and qualitative case studies rarely engage directly with one another's findings, and few studies attempt to reconcile aggregate cross-national results with the more granular, often contradictory, institutional and case-based evidence.
- A national bias in existing research: several recent systematic reviews explicitly note that the bulk of corruption research continues to focus on national-level dynamics even in contexts, such as Indonesia, defined by large-scale decentralization, leaving subnational corruption dynamics comparatively under-studied and fragmented into isolated case studies.
- Limited longitudinal evidence on sequencing: few studies track the same set of local governments through the transitional period following a decentralization reform to identify how quickly, if at all, oversight capacity catches up with transferred discretion, and what determines the length of this transitional oversight gap.
- Underdeveloped measurement of oversight capacity itself: much of the literature measures corruption outcomes (audit findings, bribery surveys, prosecutions) far more rigorously than it measures the oversight

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inputs (staffing levels, auditor independence, access-to-information regimes) theorized to drive those outcomes, limiting the ability to test mechanism-level hypotheses directly.

- Sparse evidence from certain regions: audit-based causal evidence is concentrated in a small number of country contexts, notably Brazil, and case-based evidence is concentrated in a handful of middle-income decentralizing states, leaving many low-income and fragile-state contexts, where oversight gaps may be most severe, comparatively unexamined by rigorous empirical methods.
- Limited attention to digital and technology-enabled oversight: while some institutional studies note the role of information systems in strengthening internal control, systematic evidence on how e-procurement, digital public financial management systems, and open-data platforms affect local corruption risk under decentralization remains comparatively thin relative to the pace of technology adoption in local governments.

Policy Implications

The synthesis above suggests several implications for the design and sequencing of decentralization reforms. First, decentralization reforms should be designed and sequenced so that the transfer of local audit, internal control, and information-disclosure capacity accompanies, rather than trails, the transfer of fiscal and administrative discretion; the transitional gap identified across multiple case studies appears to be a key window of elevated corruption risk that deliberate sequencing could narrow. Second, because electoral accountability is shown to interact with information access and judicial enforcement rather than substituting for them, reforms that strengthen local elections alone are unlikely to be sufficient; complementary investment in access-to-information regimes and credible enforcement mechanisms is needed for electoral incentives to translate into reduced corruption. Third, given the evidence on internal control gaps—understaffing, weak procedures, limited access to information—investment in the operational capacity of local audit units, not merely their formal legal establishment, appears to be a high-value and comparatively under-resourced intervention. Fourth, citizen-facing accountability tools such as social audits and grievance redress mechanisms appear most effective when embedded in a supportive institutional environment, suggesting they should be designed as a complement to, rather than a replacement for, formal oversight institutions. Finally, because local political economy conditions moderate outcomes considerably, decentralization reforms may benefit from context-specific risk assessment—identifying localities with high elite concentration or weak organized civil society as priority targets for additional external oversight support, rather than applying uniform oversight arrangements across all subnational units.

Limitations of This Review

This review is subject to several limitations common to narrative systematic reviews of a methodologically heterogeneous literature. First, the diversity of research designs—ranging from cross-country panel regressions to randomized audit-based natural experiments to single-country qualitative case studies—means that formal meta-analytic pooling of effect sizes was not undertaken; the synthesis presented here is thematic and interpretive rather than statistical. Second, the literature itself is geographically uneven, with a disproportionate concentration of rigorous causal evidence in a small number of country contexts, which may limit the generalizability of the conditional claims advanced in Section 6. Third, corruption is inherently difficult to measure, and the studies reviewed rely on varied proxies—perception surveys, audit findings, and prosecution records—that capture different facets of the underlying

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construct and are not always directly comparable across studies. Readers should therefore treat the synthesis as an organizing framework for a fragmented field rather than as a definitive, quantified estimate of the decentralization-corruption relationship.

Finally, as with any literature review, the selection of search terms and databases shapes which studies are captured; while the search strategy in Section 3 was designed to be broad across disciplines, it is possible that relevant grey literature, government evaluation reports, and non-English-language studies documenting local corruption dynamics in additional country contexts were not fully captured, and future updates to this review would benefit from a more expansive, multilingual search protocol.

Conclusion

This systematic review set out to organize a fragmented and often contradictory literature on decentralization, local government oversight, and corruption risk around a specific mechanism: the gap between the pace of authority transferred to subnational governments and the pace at which oversight capacity is built or extended to match it. The evidence reviewed suggests that decentralization is best understood not as inherently corruption-reducing or corruption-inducing, but as a reform that reshapes the local opportunity structure for corruption in ways whose net effect depends on institutional design, sequencing, and local political economy. Cross-country fiscal decentralization indicators show an inconsistent relationship with corruption, while more institutionally grounded case and audit-based studies more consistently identify weak internal control, thin electoral competition, limited information access, and elite capture as the proximate mechanisms through which decentralization elevates local corruption risk. Closing this oversight gap—through better-sequenced reform, stronger local audit capacity, complementary information-disclosure and judicial-enforcement mechanisms, and context-sensitive attention to local political economy—emerges from this review as the central policy and research challenge for decentralization reforms going forward.

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