SOCIAL-SECTOR REFORM, LATIN AMERICAN STYLE*

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DECENTRALIZING DEVELOPMENT: THE POLITICAL ECONOMY OF INSTITUTIONAL CHANGE IN COLOMBIA AND CHILE. By Allan Angell, Pamela Lowden, and Rosemary Thorp. (Oxford: Oxford University Press, 2001. Pp. 240. $45.00 cloth.)

HEALTHCARE REFORM AND POVERTY IN LATIN AMERICA. Edited by Peter Lloyd-Sherlock. (London: Institute of Latin American Studies, University of London, 2000. Pp. 197. $19.95 paper.)

IMPROVING THE ODDS: POLITICAL STRATEGIES FOR INSTITUTIONAL REFORM IN LATIN AMERICA. By Carol Graham, Merilee Grindle, Eduardo Lora, and Jessica Seddon. (Washington, D.C.: Inter-American Development Bank, 1999. Pp. 45. $10.95 paper.)

MYTH, REALITY, AND REFORM: HIGHER EDUCATION POLICY IN LATIN AMERICA. By Claudio de Moura Castro and Daniel C. Levy. (Washington, D.C.: Inter-American Development Bank, 2000. Pp. 116. $19.95 paper.)

PENSIONES EN AMERICA LATINA: DOS DECADAS DE REFORMA. Edited by Alejandro Bonilla García and Alfredo H. Conte-Grand. (Lima: Oficina Internacional del Trabajo, 1998. Pp. 259.)

REFORMING HEALTH AND EDUCATION: THE WORLD BANK, THE IDB, AND COMPLEX INSTITUTIONAL CHANGE. By Joan M. Nelson. (Washington, D.C.: Overseas Development Council, 1999. Pp. 103. $13.95 paper.)

SOCIAL DEVELOPMENT IN LATIN AMERICA: THE POLITICS OF REFORM. Edited by Joseph S. Tulchin and Allison M. Garland. (Boulder, Colo.: Lynne Rienner, 2000. Pp. 272. $22.00 paper.)

When market-oriented economic policies as advocated by the so-called Washington consensus swept Latin America in the 1980s, many observers were quick to point out correctly that the social question had been largely neglected. During those initial years, social policy entered a reductionist phase consistent with the neoliberal orthodoxy that encouraged a "lean state." Social-investment funds became the fashion. They incorporated

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many characteristics that arguably made them suitable for addressing the needs of the poor: they were decentralized, autonomous, demand-driven, participatory, low in cost, and fast-disbursing. By the early 1990s, however, the social question had expanded into a broader dimension. Reform-minded countries and international lending banks became interested in social-sector reform, particularly in the areas of health and education.

Known also as "second-generation reforms" or "second-stage reforms," social-sector reforms are viewed as pivotal for reducing poverty, sustaining market-oriented economic policies, and even consolidating democratic regimes. A key question underlying these reform efforts is how to construct better and more capable state institutions, hence the idea of "institutional reform" as emphasized by Carol Graham, Merilee Grindle, Eduardo Lora, and Jessica Seddon in *Improving the Odds*. The seven works reviewed here reject a minimalist view of the state. Put differently, social development breeds some state presence. Thus the authors have paralleled the work of new growth economists, who have emphasized public education and governmental investment in human capital as important to development (e.g. Aschauer 1990).

Most of the books reviewed here deal with social policy in its broader dimension. This essay is organized around three broad themes. The first is the politics of social-sector reform. Several books included in this review seek to explain how to reform social services, and many essays (particularly in the edited volumes) analyze reform attempts in various countries. The second theme to be considered here is the design of reform itself. In *Reforming Health and Education: The World Bank, the IDB, and Complex Institutional Change*, Joan Nelson points out the absence of blueprints or clear-cut models for reforming health and education systems, a lack that she believes complicates the reform debate. But studies that examine reform design more closely have also begun to emerge, and some of them will be discussed here. The third theme is the performance of social-investment funds. Certainly, a number of Latin American countries have experimented with such funds for more than a decade. Recent multi-country reviews of them add one more piece of evidence as to the importance of institutions and social policy in its broader dimension. Taken together, these seven books suggest that much could be gained by bringing accounts that analyze reform strategies together with those that pay attention to questions about reform design. Both areas of research could be further enhanced by cross-fertilization.

The Politics of Social-Sector Reform

Researchers have been interested in explaining the political, social, and economic conditions that facilitate social-sector reform for some years. Broadly stated, the early literature focused largely on the factors or obstacles that are likely to inhibit reform. Consequently, these accounts were better suited to explaining the absence of reform rather than instances where reforms actually took place, and nothing new was added to the debate. The obstacles are widely known. First, demand for reform was considered weak largely because potential beneficiaries (citizens at large) were not readily organized or motivated to petition for better social services. Second, the supply side of reform was also regarded as weak because political leaders were reluctant to advance reforms that have only intangible benefits and are unlikely to be realized before the next election. Finally, opposition to reform almost certainly reflected the fact that groups that would bear the effects of these reforms (teachers and health unions) were well organized and politically active (see Corrales 1999).

In contrast, two works included here engage in a new type of debate. Merilee Grindle's contribution to *Social Development in Latin America: The Politics of Reform* and Graham et al. in *Improving the Odds: Political Strategies for Institutional Reform in Latin America* hope to steer the discussion away from studying obstacles to reform and toward analyzing actual reforms in countries that have adopted them. These observers recognize that although obstacles to reform are real and important, instances of reform are also widespread. In this vein, Grindle suggests that political scientists ought to examine more closely the political strength of reformers and their efforts at "getting something up and running" (*Social Development*, p. 46). In certain cases, teachers and health unions have received more criticism than support for their opposition to reform. Even the mere discussion of reform helps reformers raise public awareness about the problems confronting health and education services and may add future ammunition to the reform cause. As Grindle concludes, "The room for maneuver has been greater than our expectations about the dynamics of change have led us to expect" (p. 38). Put another way, accounts that have emphasized the impossibility of social-sector reforms have simply failed to keep up with reality.

In *Improving the Odds*, Graham et al. go a step further than Grindle does in the volume edited by Joseph Tulchin and Allison Garland. They present a richer set of hypotheses addressing factors likely to facilitate what they call "institutional reform." These authors indicate that reforms are more likely to succeed under five conditions: when leaders work with existing structural and procedural norms (as opposed to trying to circumvent opposition groups by ignoring or subverting them); when they compensate the losers of reform; when they link or bundle social reform with other reforms; when they choose reform strategies that avoid repeating or reigniting past conflicts; and when they choose reforms that create new stakeholders or mobilize latent interest groups (pp. 6–9).

The authors of *Improving the Odds* test these hypotheses in twelve case studies from four different countries: Argentina, Bolivia, Peru, and Uruguay. The work includes four cases of social security reform (one for each country), three cases of educational reform (for Bolivia, Peru, and Uruguay), two cases of health reform (for Peru and Uruguay), one case of labor reform (Argentina), one case of privatization (Argentina), and one case of decentralization of social services (Bolivia). In terms of the research design, the case selection is diverse. Yet in examining successful reforms along with others that have failed, the authors have avoided truncating the research question, and on these grounds the selection of cases is welcome. What may be missing from the discussion of these cases is a more thorough evaluation of the reforms themselves. For instance, Graham et al. characterize the outcomes of some reforms as "ongoing" or "slow success." The problem here is that there are simply no grounds for believing that "slow success" is likely to progress linearly toward consolidation of some of these reforms. A related problem is the characterization of some of the reforms as representative of reforms of the entire social sector, whether education or health. In the Peruvian case, for instance, Graham et al. take the decentralization of health care facilities as indicative of total health reform, while most observers would characterize the decentralization program as a partial reform effort (e.g., Ewig 2000).

These points aside, the most striking feature of *Improving the Odds* is the emphasis on agency and process as determinants of reform. This new perspective diverges markedly from the early literature, which paid greater attention to political structures and incentives as constraints binding reform. The authors suggest that reformers need to be sensitive to the timing of the reforms and select their reform teams carefully. In other words, successful reform revolves largely around questions of political leadership or entrepreneurship.

Graham et al.'s discussion of how certain reform strategies may create stakeholders or at least help mobilize latent social interests is interesting in its own right. As the authors suggest, "Leaders can work to overcome the collective action problems such as large group size (more difficult for cooperative relationships), geographical dispersion, lack of information, or high cost of collective action relative to private gains that prevent dispersed winners from forming an effective lobby" (p. 9). The suggestion that reforms may help create or mobilize new sets of actors contradicts conventional views that portray marketization initiatives as generating "participation deficits" across society (e.g., Kurtz 2001).

Overall, the case studies that appear in several of these books indicate that some countries in Latin America have begun to make progress in the area of social reform, however narrow or incomplete. While Graham et al. find support for most of their hypotheses, better assessments (perhaps in the form of longitudinal studies) are still needed of the reforms being carried out today. Such studies are particularly relevant to the discussion of the importance of agency because it is a well-known fact that case studies analyzing reform over a short period of time (like those in the Graham et al. research project) tend to overstate actors' choices while downplaying structural constraints. Analysts also need a better understanding of which sets of actors are likely to oppose social-sector reforms. Does the resistance from unions simply wither away once reforms become effective? Studies that examine the organizational characteristics of unions (the presence or absence of inter-union or intra-union competition) and how different political alignments may actually facilitate cooperation appear to point researchers in the right direction (see Maceira and Murillo 2001).

Reforms without Blueprints

Joan Nelson's *Reforming Health and Education* discusses another obstacle likely to complicate social service reforms: the absence of a "blueprint" that commands technical consensus or at least two competing models to establish parameters for debate (p. 22). Nelson compares health and education reforms with the privatization of social security. She suggests that the latter has been easier to implement due to the precedent of the 1981 Chilean reform, which served as a model for future pension reformers in Latin America, including Peru (in 1993), Argentina (1994), and Bolivia (1997).

Compared with reform attempts in health or education, pension reforms seem to have entailed an entirely different political process. It is telling that of the four cases of pension reform presented in *Improving the Odds*, all of them were "success stories." The literature on pension reform is by now extensive. *Pensiones en América Latina: Dos décadas de reforma*, edited by Alejandro Bonilla García and Alfredo Conte-Grand, describes in detail the region's social security programs before and after the reforms. Traditionally, political scientists have paid attention to the sets of actors viewed as the greatest barrier to the initiation of pension privatization, such as political parties and unions, while ignoring how groups or coalitions (especially business) may organize in favor of privatization. With a few exceptions, it appears that most state-run pension systems have been fairly easy to dismantle, perhaps because these systems had not matured enough to produce strong organized interests that could have defended them effectively in the wake of retrenchment (see Pierson 1996).

Nonetheless, the discussion about the lack of blueprints seems to imply that health and education reforms ought to converge at some point into a generalized model of reform. This process of policy convergence can be seen in other reform areas, such as tax and pension systems. On the tax side, for instance, it is well known that these systems have become less redistributive and more market-conforming. Virtually all Latin American countries have flattened rates and reduced income tax rates, while placing greater emphasis on value-added taxes (VAT). In a few countries, VAT rates have exceeded 20 percent. On the pension side, different private pension schemes have emerged, but all of them have relied on individual retirement accounts and choice.

What about health and education? Is convergence taking place or not? Those who think that convergence is far off explain its absence by emphasizing the complexity of these systems. As many of the works under review here indicate, this complexity makes it difficult to identify a set of reform policies (or an alternate model) that could easily be applied by most would-be reformers. According to this view, one type of reform may not fit all, requiring reforms to be tailored to particular country circumstances.

Others would disagree, however, and would argue that the process of convergence is already taking place, particularly in the area of health. As a recent article in *The Economist* suggested, private-sector health insurers have now expanded beyond Chile (which again set the precedent) and are currently operating in Colombia, Peru, Argentina, Mexico, and Brazil.[1] Thus in much of Latin America, the health-care system is beginning to look a lot like that in the United States. Whether or not health systems are shifting toward private health care, it is clear that the pace of convergence is different from that of tax or pension systems. Citizens' response to private health-service providers in places like Argentina and Peru has not been overwhelming.

Myth, Reality, and Reform: Higher Education Policy in Latin America by Claudio de Moura Castro and Daniel Levy and the contribution by Juan Luis Londoño and Julio Frenk to *Healthcare Reform and Poverty in Latin America* both examine more closely the issues surrounding reform design, as opposed to the political feasibility of social-sector reforms. Understanding "what works and what does not," as Castro and Levy suggest, is a critical step toward making sound policy recommendations (p. 2). From this perspective and by disaggregating the higher education system in terms of its functions, these authors assess the current state of post-secondary education in Latin America. The four functions they identify are academic leadership, professional development, technological training and development, and general higher education. Castro and Levy provide a summary of each function and its overall performance (p. 65, t. 4.2).

The disaggregating approach is novel in that it allows these authors to identify key areas in the higher education system in need of reform and then suggest suitable recommendations. For example, institutional accreditation is widely regarded as a vital tool to improve the quality of education. But Castro and Levy suggest that institutional accreditation is essential only to the general higher education and professional development functions and not to the others. If institutional accreditation were to be applied to the academic leadership function, it could actually undermine "the autonomy and academic freedom needed for exploration and excellence" (p. 96). According to Castro and Levy, other methods of evaluation are necessary in this area.

On the whole, *Myth, Reality, and Reform* seeks to present a more bal-

1. "The Americas Shift toward Private Health Care," *The Economist*, 8 May 1999.

anced picture of postsecondary education, but readers may find the evidence presented not entirely convincing. In particular, Castro and Levy take issue with widespread neoliberal criticisms of higher education, which tend to overgeneralize and "prescribe systemwide reforms" (p. 103). For example, critics argue that higher education produces graduates who cannot find employment directly related to their fields of study, as exemplified by the oft-cited degree-holding taxi driver. A related idea is the abundance or oversupply of doctors and lawyers with little connection to the job market. On the first point, Castro and Levy cite a single 1994 study conducted in Peru to suggest that the degree-holding taxi driver is a myth: only about 2 percent of those with some higher education drive a vehicle as either their primary or secondary job (p. 9). As for the glut of doctors and lawyers, the scant evidence presented indicates that this is still the case in several countries (p. 12). These criticisms and others are dismissed too quickly. As the authors recognize, analysis of higher education in Latin America would benefit a great deal from "tracer studies." Such studies explore what happens to graduates after they complete their schooling. Certainly, these kinds of studies would help to enrich cross-country comparisons.

The contribution by Londoño and Frenk to *Healthcare Reform and Poverty in Latin America* makes another important addition to the discussion of reform design. Londoño and Frenk describe most health systems in Latin America as "segmented" because they segregate populations according to their social organization and ability to pay for services. In a typical segmented model, the health sector involves three major subsystems of provision: a private sector for those who pay directly for services or purchase private insurance (the wealthy), a social security system for workers in the formal economy (the middle class), and a public sector that is supposed to provide services to everyone else (the poor). In reality, the boundaries among these systems are not stable or fixed. Cuts in the social security and public systems, for instance, diminish the quantity and quality of services provided, resulting in longer waiting periods or scarcity of medications, thus increasing demand for private health services. If conditions worsen, this situation can lead to a phase of "chronic congestion," that is, overdemand for and underfunding of key social services (Graham and Naím 1998).

A common pathology in these health systems, particularly the public and social security systems, is directly related to their highly centralized structure and administration. In centralized institutions, decisions about allocating resources pay little attention to actual needs or demands. Health facilities without personnel or facilities with personnel but no essential medications are typical scenarios throughout Latin America. Also, the ministries of health employ many doctors, nurses, auxiliaries, and administrators who receive job security and other benefits. Yet absenteeism in public facilities is high, and personnel have few if any incentives to exert themselves in their jobs.

To date, the standard reform response to these problems has been twofold: decentralization and the introduction of competition to improve delivery of services. Decentralization as an option seeks to give users a greater voice in demanding health services. In contrast, the introduction of competition seeks to promote greater government efficiency by allowing private health-service providers to coexist and compete with the government health bureaucracy. The overriding rationale behind these reform strategies is to create "demand-side pressures," which in turn can enhance the efficiency, effectiveness, and responsiveness of the public-sector health bureaucracy. Decentralization and the introduction of competition in the provision of services are not necessarily mutually exclusive, however. In several countries, they have been adopted almost simultaneously.

Healthcare Reform and Poverty in Latin America, edited by Peter Lloyd-Sherlock, discusses health-reform initiatives from various countries, but the Colombian reform experience is intriguing in that it has sought to end the "segmentation problem" as described by Londoño and Frenk. The essay by Francisco Yepes presents an overview of the Colombian reform. It dates back to the 1980s, when the government began a decentralization program that authorized the devolution of management and provision of health and medical services to various departments and municipalities. With the passage of Law 100 in 1993, the Colombian government approved the reform in its current form. The reform sought to unify the different social security subsystems, transform the ways that these subsystems finance and provide services, and recast their interactions with the public system and the private sector. The reform tried to extend coverage to more vulnerable groups in the population, such as workers in the informal sector and the self-employed. Membership in the new Colombian health system is mandatory and universal. The reform also sought to make providers more responsive to beneficiaries. To this end, the government allowed for the creation of various private entities to provide health plans, known as *empresas promotoras de salud* (EPS), which compete for enrollment of users.

The EPS system that appeared in Colombia was not new, however. It mirrored the Chilean system of ISAPREs (Institutos de Salud Previsional). As a key component of the Chilean health reform of the early 1980s, as contributor Armando Barrientos points out, ISAPREs sought "to extend the scope for private involvement in health insurance or provision" (p. 95). But unlike the Chilean private health-care system, payment to health providers in Colombia is based on a risk adjustment (capitation) premium rather than on income or ability to pay. Given the latter option, Chilean ISAPREs have directed their marketing at working-age, higher-income, and lower-risk citizens, leaving the public health sector as the de facto health provider and insurer of last resort. Barrientos indicates that the Chilean health reform has led to further segmentation in the end, precisely what the Colombian reform was trying to stop. The ISAPREs also have resisted government efforts to

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improve the coverage of the older population. ISAPREs created a new lobby, but perhaps not the type envisioned by Graham et al. in their discussion of stakeholders.

In retrospect, it appears that the Chilean reform and the less orthodox Colombian reform could be viewed as models or blueprints for future reformers. Yet Latin American countries are not rushing to duplicate any of these types, particularly the Colombian model, which appears to be the more comprehensive option. Thus far, the Colombian health reform process has expanded over a ten-year period and is still in the making, illustrating that health reforms are by nature incremental and slow.

As suggested earlier, the authors who analyze the issues of reform design (like Castro and Levy as well as Londoño and Frenk) reveal little about the politics behind these reform efforts. In the Colombian case, little is still known about which groups cooperated with the government and which ones opposed the reform project. To this end, Yepes reports only that the political process was a difficult one and that physicians appeared to be adversely affected by the reform (p. 174). In fact, the Colombian EPSs determine fees for services, doctors' allowances, lists of suitable medicines, and hospitalization periods. This type of managed health care, which seeks to reduce and control costs, is cumbersome for most physicians. Even Juan Luis Londoño, the Colombian health minister responsible for the 1993 reforms, sidesteps these important political questions. On the whole, scholars who focus on issues of reform design could benefit by taking into account the work of those who deal with reform strategies and vice versa.

Social Investment Funds Revisited

With the assistance of the World Bank and the Inter-American Development Bank, several Latin American governments implemented demand-driven antipoverty programs, hoping to mitigate the costs of stabilization measures and simultaneously make market reforms sustainable. According to Judith Tendler's contribution to *Social Development in Latin America*, the two banks have expended more than 2 billion dollars on eighteen social funds since the late 1980s.

These social funds, as Tendler and others note, have incorporated many organizational features aimed at avoiding the problems of overcentralized and "supply-driven" delivery of public services (p. 88). The funds run as semi-autonomous government agencies outside line ministries, operate outside civil-service regulations, hire managers from the private sector, simplify procurement regulations to speed up the execution of small projects, and use design standards that are not too complicated and hence are more appropriate for the countryside (p. 90).

But for Tendler, the central question is to examine whether or not these new organizational features have outperformed the traditional mechanisms of delivering public services. To address this puzzle, she examines the performance of social funds in two areas where they are thought to excel: poverty reduction and employment creation. Tendler indicates that the findings as to both claims are disappointing. The funds have not done well in reaching the poor, and the jobs provided by the funds were mostly temporary and low-quality and provided no training (pp. 93–94).

Yet according to Tendler, the suggested recommendations (fixes) for most of the funds' shortcomings "represent the flip side of their acclaimed strengths" (p. 95). The recommendations include more monitoring and supervising, more training, more public information campaigns about project choices available to communities, and more coordination with line agencies and their sectoral programs (pp. 101–2). Tendler adds that if these solutions are adopted, the funds will need more resources and personnel and possibly some rural agencies. These fixes could not only increase the low overhead of the funds but also reduce their disbursement rates. As Tendler concludes, the suggested recommendations appear to undermine the very nature of these funds: donors "identify shortcomings above which demand-driven programs were supposed to rise, and they recommend fixes that smack of supply-driven sectoral planning" (p. 102).

In the end, while the evidence regarding the capacity of the funds to generate employment or reduce poverty is open to debate, the fact that donors recommend more coordination with line agencies reinforces the importance of institutions dealing primarily with education and health, a point central to the works reviewed here. In *Decentralizing Development: The Political Economy of Institutional Change in Colombia and Chile*, Allan Angell, Pamela Lowden, and Rosemary Thorp arrive at a similar conclusion. Decentralization delivers best when it is coordinated with the central government. In educational reform, they point out, "There has to be in place a central ministry capable of imposing and regulating minimum national standards in terms of curriculum, assessment of educational attainment, and teacher training and recruitment" (p. 220). In sum, opting for the path of least resistance—seeking to reduce poverty through social funds that operate as semi-autonomous government agencies and circumvent line ministries—is no easier than the more heavily traveled roads.

The theme of *Decentralizing Development* is broader in scope than the other works reviewed here so far. By comparing seven medium-sized cities (four in Colombia and three in Chile), Angell, Lowden, and Thorp seek to untangle how decentralization promotes local development. In each city, they consider the following variables: the nature of social and political organization of the locality; the extent of regional identity; the amount of centralist tradition; the nature of the locale's economic potential; the nature and level of corruption; and the nature and level of conflict. The authors capture development by analyzing opportunities for cooperation between the private and public sectors, the efforts of local mayors in promoting initiatives for educational reform, and community participation in strategies to alleviate poverty. Colombia and Chile make a contrasting pair in that each country has had a different model of decentralization. Chile is portrayed as a strong state with weak regions, while Colombia is just the opposite. Yet the decentralization outcome among the seven cities has been mixed. Here the book could have benefited from constructing a graphic summary of the qualitative measures presented and their results for each of the cities studied.

The central question pursued in *Decentralizing Development*, however, is not whether decentralization pays off but how it can become a potential catalyst for development. Even where evidence exists that decentralization projects may have failed, Angell, Lowden, and Thorp recommend it nonetheless. Selection of these medium-sized cities reflects the authors' view of decentralization. As they acknowledge, cities of this size were chosen "in order to maximize the possibility of observing positive results" (p. 216). They believe that metropolitan cities like Santiago and Bogotá have their own set of problems and should be studied separately. The authors also suggest that the impact of decentralization initiatives in rural towns is likely to be marginal. Overall, study of the consequences of decentralization remains an ongoing task for future scholars, who can build on this book's empirical contributions.

Conclusion

In comparative terms, Latin America has gone further in the direction of market reform than any other region. Therefore, the recent discussion about the importance of social-sector reform in its broader dimension is not entirely surprising. Three final remarks are worth noting on the politics of social-sector reform. First, Latin American countries have begun to implement social-sector reforms, primarily on the health side, but change is likely to be gradual. Consequently, characterizing a reform as a success or a failure may be too simple a way to describe the pace of social-sector reform. Similarly, given the complexity of these systems, framing reforms as moving from their initiation to their consolidation phases may not be particularly useful. Overall, analyses of the politics of social-sector reform need to become more sensitive to process.

Second, as Joan Nelson noted, social-sector reforms also create new challenges for international lending banks. The works reviewed here provide numerous examples of the influence of the reform ideas typically sponsored by the banks, such as decentralization and the introduction of competition in the provision of services. Further research should examine the notion of conditionality that characterized the policy reforms in the 1980s. The banks are nevertheless likely to continue financial support for reform. A case in point is the recent Health System Reform-Sector Adjustment Loan provided to Mexico by the World Bank in the amount of 750 million dollars,

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the biggest loan it has ever made for health-care reform. Beyond the banks, Robert Kaufman suggested recently that global market forces are also less likely to shape those state institutions that deal with social welfare because "state reforms in these areas are less salient for the international financial sector and demand more coordination among government agencies and groups in civil society" (1999, 372). But managed-care providers like the Chilean ISAPREs, the Colombian EPSs, and even some American health-maintenance organizations (HMOs) have begun to expand in neighboring markets. This trend is also likely to continue. In light of this new evidence, the suggested "null impact" of financial capital may have to be revisited.

Finally, the collection of works reviewed here suggests that decentralization initiatives often have positive and long-term effects in building local capacities, and in so doing, stimulate local development. But at the same time, central governments must continue to play a major role. Tendler notes that of all the types of projects that have been funded by demand-driven anti-poverty programs, education and health projects have been the most sustainable (*Social Development*, p. 104). They have done well not only because of local participation but also because of ministry involvement in the approval of the projects. As Angell, Lowden, and Thorp suggest in *Decentralizing Development*, the synergy of local and central governments yields the most successful social outcomes.

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