

What We Have Learnt and the Way Ahead

This book documents the effectiveness of decentralization on health and education service delivery in India. The core objective of this book has been to broaden the focus of decentralization away from the restricted debates within the public finance principles of fund function and functionaries. This book broadened the boundary by focusing on the impact of decentralization on public service delivery for two key services, viz. education and health. In a way this book is an attempt to examine the link between decentralization and human development. A study of this category is rare even across countries. The analysis of this book is carried out by distilling the existing studies in this area and the analysis of public finance data at three levels of governments in India. We have also used household survey statistics of consumption expenditure in understanding the utilization or incidence of the public spending on health and education in a decentralized governance system of India.

While comparing across states, it is clear that local democracy and institutions of decentralization differ widely across states. The analysis of intergovernmental transfers with a focus on third tier has revealed that multiplicity of channels of fiscal transfers has complicated the transfer system and the untied nature of funds to local level is not adequate enough for local governments to undertake spatially required public spending programme. The commissioning of State Finance Commissions (SFC) though had put an end to the adhocism and arbitrariness in the fiscal transfers to the local bodies in a technical sense, the functioning of SFC and their recommendations in terms of quantum and criteria of devolution is still in a state of flux across most states.

The book highlighted that the 'decentralization' would be effective only when the principles of public finance are harmonized with the principles of accountability in the design of the decentralization strategy itself. The book further highlighted that increasing participation of the users ('voice') and enhancing monitoring by the community or the user group at the service provider level ('client power') are the two core ingredients of improvement in service delivery with decentralization.

In conclusion, we need to highlight that decentralization is neither good nor bad for education and health sector service delivery. The success depends upon the institutional mechanisms of decentralization. Also, the political elements

of decentralization are equally significant as economic determinants. It is often argued that democratic decentralization leads to revealing of 'voice' in the system and thereby an effective provisioning of public services. The 'unfunded mandates' result from the asymmetry in functions, and finance remains a core issue of decentralization in India. In this context, intergovernmental transfer mechanism has a key role in education and health sector. We believe that flexibility of finances at the local level would be a major determinant of success of public service delivery at the local level.

Benefit Incidence Analysis (BIA) of education and health (both spatial and intertemporal) revealed that public sector is still a significant sector whereby the poor of the lowest quintiles utilize the service provisioning. This 'seemingly' equitable nature of incidence should be analyzed with caution as the poor are compelled to utilize the public sector provisioning of education and health care due to price and non-price factors. Non-price factors include the supply side and demand side constraints of distance, intrahousehold behavioural patterns, availability of quality private provisioning at affordable costs, etc. The higher income quintiles' behaviour of 'voting with feet' (exit strategy) is a matter of concern due to the non-utilization of 'voice' element in the service provisioning of public sector in health and education.

Accountability of public spending is still an area of urgent concern, in spite of the attempts by sectoral Ministries to prepare Result-Based Framework documents. Monitoring outcome rather than inputs remains a crucial area of intervention. Convergence of schemes, although a crucial element, has not been undertaken adequately in sectoral Ministries of health and education. Fiscal marksmanship (the errors in forecasting the expenditure) is an important issue due to the significant deviation between what is budgeted and what is the actual spending.

Finally, in our view, whether public service delivery and social sector outcome are 'growth led' or 'public policy led' is an inconclusive debate in the context of decentralization. Empirical evidence suggests that economic growth and public spending have impact on health, with relatively the effect of latter more than the former. A stream of empirical literature on the other hand highlighted that non-health factors (complimentary fiscal services to improve literacy levels, water and sanitation) affect health disproportionately than health-related factors. Host of factors seems to be working when one is trying to link decentralization with service delivery. Feminization of governance, capacity building at the local level, and maturing SFCs as institutions are some of the major ones. In this complex dynamics and spectrum of factors affecting decentralization outcome in the specific context of India, in our view sequencing of decentralization is the key for successful decentralization outcome.

