

## Decentralization in Service Delivery

### Empirical Evidences

As mentioned in the first chapter, decentralization is a process through which authority and responsibilities for substantial government functions are transferred from central government to intermediate and local governments, and often also to communities. The World Bank essentially defines decentralization as 'the transfer of political, administrative and fiscal responsibilities to locally elected bodies in urban and rural areas, and the empowerment of communities to exert control over these bodies' (World Bank, 2000a). Decentralization can be categorized broadly along two schemes, namely: (i) deconcentration, delegation and devolution based on the extent of decentralization and (ii) fiscal, political and administrative decentralization. These two schemes are briefly discussed in the next section of this chapter.

**Deconcentration** results in the transfer of political, administrative and fiscal responsibilities to lower units 'within' central line ministries or agencies, i.e. a subordinate entity of the government. Deconcentration often results in hands on control over the local government by the central government. This form of decentralization has often been criticized as the weakest form of decentralization (Crook and Manor, 1998; Rondinelli et al., 1989; and Meenakshisundaram, 1999). This form of decentralization can be observed in practice in some of the African countries.

**Delegation** is the form of decentralization in which responsibilities are transferred to organizations that are 'outside the regular bureaucratic structure and are only indirectly controlled by the central government'. Delegation results in the transfer of powers and functions to the local government entity in a framework which provides space for an overarching control of the Central/state government over the local government entity, even though there may be no control over the day-to-day functioning of the local government (Meenakshisundaram, 1999).

**Devolution**, supposed to be the strongest featured form of decentralization, results in the transfer of powers, functions and finances to the local government in a way that the local government would be accountable to its voters rather than to the central or state governments. The local or the sub-national units of government

are either created or strengthened in terms of political, administrative and fiscal power (Blair, 2000; Crook and Manor, 1998; and Rondinelli, D., McCullough, J.S. and Johnson, R.W., 1989).

In the second scheme, political decentralization transfers policy and legislative powers from central governments to autonomous, lower-level assemblies and local councils that have been democratically elected by their constituencies. Administrative decentralization places planning and implementation responsibilities in the hands of locally situated civil servants and these local civil servants remain under the jurisdiction of elected local governments. Fiscal decentralization accords substantial revenue and expenditure authority to intermediate and local governments (World Bank, 2000a).

There also exists another market-driven dimension of decentralization that has gained momentum in certain countries which have opted for decentralization particularly for effective service delivery at the local levels.<sup>1</sup> While the process of globalization acts in ways in which the market acquires supremacy to the detriment of people who lose control over their livelihood patterns as well as other choices, the process of decentralization is expected to act as a countervailing force enabling people to acquire control over decisions. This is the entry point for the market-driven approach to decentralization. This form of transfer of government responsibilities and authority is done in favour of non-public entities where planning and administrative responsibility or other public functions are transferred from government to voluntary, private or non-governmental institutions with clear benefits to and involvement of the public (World Bank, 2000a).

Alternatively, decentralization can also be conceptualized as an evolving political and administrative process rather than a particular form of organizational structure or institutional arrangement. As such, the characteristics of decentralization in any particular country are dynamic and are subject to rapid change depending on the current government in power and popular trends. It is a diverse, complex and multifaceted concept which can essentially be of several types as has already been mentioned with separate characteristics and policy implications and have differential conditions for success. However, in most of the cases, it has been observed that the success of decentralization lies in intertwining the several dimensions involved in evolving a decentralized system. The rationale for decentralization stems from the concept of transfer of power over the production and delivery of goods and services to the lowest unit capable of dealing with the associated costs and benefits. The final aim of a completely decentralized system

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<sup>1</sup> In fact the system of decentralization at the global level has gained immense importance in the current spate of globalization and the associated economic reforms, as an effective means of implementing policies and obtaining outcomes.

is the existence of local self-governments at the lowest rungs of the administration exercising adequate control over substantial and clearly defined functions that should be able to pass/enact laws with regard to these functions within its area of jurisdiction – state, district, village, etc. along with an unambiguous political, fiscal and administrative autonomy for the devolution of assigned functions (Johnson, 2003).

Several developing countries in Latin America, South and South-East Asia and parts of Africa adopted the decentralized system of functioning while simultaneously adopting the strategy of increased global integration through enhanced trade openness. However, the motivations for adoption of the system in each of the countries have been different. While in Latin America, this shift has been accompanied by macroeconomic reforms that have given priority to market forces that, in the South Asian region, has been, especially in Sri Lanka, Bangladesh and India, politically motivated in order to reduce the exclusionist impact of the market forces on the local communities. In the 1980s and 1990s, decentralization reforms swept across Latin America as almost every country implemented measures to strengthen the role of local and regional governments (Tulchin and Selee, 2004). This was hardly an isolated trend, however. Countries as distinct as South Africa, France and the Philippines underwent similar processes during this period. Proponents of decentralization in Latin America and elsewhere, who have been drawn from all places on the ideological spectrum, have argued that strengthening local and regional governments would both improve the efficiency of government and contribute to better democratic governance (Johnson, 2003). However, the market-driven processes have often been marked with overt presence of a top-down approach towards decentralization and paving the way for private forces to operate at the ground level, thus reversing the aim of effective and equitable service delivery for the people at the local levels. Such top-down approaches have also been marked with corruption and failure of developmental schemes of the government, as has been observed in cases of Brazil and Argentina (UNFPA, 2000; and Tulchin and Selee, 2004).

On the other hand, the success stories of decentralization in terms of service delivery have been recorded in places where the basic foundation for such process was constituted through increased people's participation in the development programmes and decision-making at the lower levels, incorporating local communities to ensure efficiency and equity in service delivery, enhance resource mobilization and increase the accountability of the government through increased coordination among the communities through a bottom-up approach.<sup>2</sup> The

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<sup>2</sup> For a comprehensive review of some of the successful case studies on decentralization and local participation in India see (Rao and Raghunandan, 2011).

United Nations Development Programme (UNDP) in one of its studies on decentralization in India came up with certain prerequisites of good performance in decentralization that have been enumerated as: (i) enhanced inclusiveness in decision-making processes; (ii) improved quality of services delivered by local governments (in terms of quantity, quality or cost); (iii) increased local revenue generation and (iv) outcome of greater equity in the distribution of services. The study uses the term decentralized governance to describe a situation of power sharing between the central and local government that is based on the principle of subsidiarity and that transcends government to also include the private sector and civil society (UNDP, 2001). Therefore, the factors behind decentralization appear to be related to the trends worldwide towards a realization that development should not be a top-down process but rather that it requires community involvement and motivation. The realization has dawned upon in many countries that centralization of the planning and allocation of resources has led to only limited flows of resources to the peripheral levels with much of the funds being drained off centrally.

Decentralization mechanisms differ across countries in structure, networking of multi-level tiers as well as in the sharing of powers and functions. The process ranges from administrative decentralization involving transfer of national government functions to sub-national levels with central control of budgets and policymaking, to fiscal decentralization which transfers partial control over budgets and financial decisions from higher to lower levels and finally to devolution or the transfer of resources and authority to lower tiers of governance. In some of the countries' cases like Nigeria, the Philippines and Mexico, including the case of India, decentralization is based on the political/legal structures (e.g. the Constitution, specific laws or government bills covering decentralization) of each country. In these countries, the states or provinces form a federation, which generally has its own elected government with a wide range of fiscal and programming powers and responsibilities (Shah and Thompson, 2004; and Ahmad, Devarajan, Khemani and Shah, 2005).

## **Degree of decentralization**

The degree of fiscal decentralization across countries is a nebulous concept and difficult to quantify. Grote and Braun (2000) noted that political decentralization can be captured by the degree of decentralization of elections (elections held at first, second and third tier of government); administrative decentralization can be approximated by the degree of subdivision of nation states, and by the size of countries in terms of population and fiscal decentralization can be captured by the share of sub-national expenditure in total expenditure and local government

expenditure as percentage of GDP of the country.<sup>3</sup> However, these indices do not capture the governance structure to understand the degree of power in terms of decision-making vested at the local government over the expenditure functions. These indices also fail to capture the ‘efficiency’ argument underlying the *principle of subsidiarity*. Paucity of data on these components of governance structure limits the empirical analysis to a great extent. However, to capture a broad picture, the structure of government and the number of local bodies across countries and the size of the country, which proxies the administrative decentralization, are given in Table 2.1.

**Table 2.1: Broad indicators of administrative decentralization: Cross-country analysis**

Country	System	Number of local bodies	Population (2002) millions
Uganda	2 tier	1 city council, 55 districts, 13 municipalities and 60 town councils	24.6
South Africa	3 tier	47 district municipalities, 231 local municipalities and 6 metropolitan municipalities.	45.3
Bolivia	3 tier	9 municipalities of departmental capital and numerous other municipalities.	8.8
Mexico	3 tier	Federal district, 31 state governments and 2430 municipal governments	100.8
Sri Lanka	3 tier	18 municipal councils, 37 urban councils and 256 village councils ‘pradesheeya sabhas’	19.0
Sweden	2 tier	23 country councils, 288 municipalities and 2545 parishes	8.9
United Kingdom	2 tier	540 (approximately) local councils and local government units	59.2
Chile	2 tier	341 municipalities	15.6
Australia	3 tier	900 (approximately) cities, district councils, municipalities, shires and towns	19.7

*Table 2.1 continued*

<sup>3</sup> Kaufmann et al. (1999) analyzed numerous cross-country indicators as proxies for various aspects of governance including: voice and accountability; political stability; government effectiveness; regulatory burden; rule of law and control of corruption.

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Table 2.1 continued

Peru	3 tier	7 decentralized agencies, 1635 district councils and 194 provincial councils	26.7
China (Mainland)	2 tier	30 provinces (excluding Taiwan and including the municipalities of Beijing, Shanghai, and Tianjin) 151 sub-provincial administrative regions (prefectures) 479 cities; 1894 counties; 60,000 townships; and 804,153 villages	1280.4
India	3 tier	Rural local bodies (approx quarter million, 247033; districts (515), taluk/block (5,930), village (240,588), urban local bodies – municipal corporations (96), municipalities (1,494), nagar panchayats (2,092)	1029
Russian Federation	2 tier	89 regional governments ('subjects'), including 10 Autonomous okrugs, 2 cities (Moscow and St. Petersburg) 6 krays, 49 oblasts and 21 republics Extra budgetary resources of the sub-national budgetary institutions	144.1
Republic of Congo	2 tier	Brazzaville and 5 other municipalities and 11 departments	3.7

*Note:* Population data of India pertains to 2001 Indian Census.

*Source:* IMF, Government Finance Statistics, 2004 and World Development Indicators, 2004 and Rao and Singh (2003).

The degree of decentralization can be fully analyzed in a comprehensive manner if and only if we include the governance structure of local government that supports transparency and accountability. It includes the finance and functional assignments at local bodies. Degree of decentralization of any country, as mentioned above, can be captured by the ratio of local government expenditure to general government expenditure and local government expenditure as per cent of GDP (Dziobek, Mangas and Kufa, 2011).

It is well debated in public finance literature that the buoyant revenue sources are assigned at the central government level, while the expenditure assignments, especially in terms of merit goods like education and health are at the sub-national levels. This often adds up to the issues related to 'unfunded mandates' at the local level.

## **Empirical evidences: Decentralization in service delivery**

In this section we shall review the attempts made to evaluate the impact of decentralization on service delivery. The evidence is organized around the following questions:

- (i) What has been the impact of decentralization on the overall direction of public expenditure?
- (ii) Has decentralization been accompanied by local autonomy on the pattern of educational expenditure?

## **De facto versus de jure decentralization**

- (i) Has decentralization resulted in greater democratic participation in decision-making?
- (ii) To what extent is decentralization only an administrative one: one way of doing administration vis-a-vis another?

## **And finally, there is the question related to 'outcomes': has decentralization led to better performance on access, participation and quality?**

There are two well-known initiatives on successful decentralization in respect to social sector spending (cited in Bardhan, 2002). One is the widely noted case of participatory budgeting in municipal government in the city of Porto Alegre in Brazil. In Porto Alegre, where assembly meetings of local citizens and neighbourhood associations in different regions discuss investment priorities, review accounts and elect representatives to a citywide council that allocates available resources across wards. This has resulted in significant increases in access to public services. Between 1989 and 1996, the number of households with access to water services rose from 80 per cent to 98 per cent; percentage of the population served by the municipal sewage system rose from 46 per cent to 85 per cent; number of children enrolled in public schools doubled; in the poorer neighbourhoods, 30 kilometres of roads were paved annually since 1989; and because of transparency affecting motivation to pay taxes, revenue increased by nearly 50 per cent. The Porto Alegre experiment presents a strong example of democratic accountability, equity and redistributive justice, with the participation part guaranteeing legitimacy to decisions, and objective budgeting ensuring fairness in an otherwise arbitrary process of translating political decisions into distributed resource.<sup>4</sup>

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<sup>4</sup> 'Case Study 2 – Porto Alegre, Brazil: Participatory Approaches in Budgeting and Public Expenditure' Social Development Network Notes, Note No. 71, March 2003. Management <http://www.sasnet.org/documents/Case%20Studies/Participatory%20Approaches%20in%20Budgeting%20-%20Brazil.pdf>.

In Bolivia in 1994, the number of municipalities as well as the share of national tax revenue allocated to municipalities doubled, along with devolution to the municipalities of administrative authority, investment responsibility and title to local infrastructural facilities. This has been associated with the massive shift of public resources in favour of smaller and poorer municipalities and from large-scale production to social sectors.

Faguet (2001) finds that public investment in education, water and sanitation rose significantly in three-quarters of all municipalities, and investment responses to measures of local need were positive (e.g. the expansion in public education spending was larger on average in municipalities with a lower literacy rate or with fewer private schools). Faguet's analysis is in terms of levels of public spending rather than outcome variables like school enrolments or school performance or access to water and sanitation services.

In contrast to these two successful Latin American experiences, there are several instances from the African context where decentralization has been followed by lower public expenditure on education, resulting in increased privatization and cost sharing with communities. Samoff (1990) argued that when local autonomy in education was enhanced, efforts to reduce regional inequalities were undermined. The author illustrated this with the case of 'the bush schools' in Kilimanjaro in Tanzania. These private secondary schools proliferated in the mid-70s as government schools were increasingly unable to meet the demand for secondary schooling. Samoff (1990) also noted that the representatives of the relatively disadvantaged groups preferred greater centralization, while Kilimanjaro leaders seeking to thwart redistribution advocated local autonomy.

In Zambia, as the shares of public expenditure allocated to education, particularly to the primary level, fell through the 1980s, local contributions to the direct costs of equipment, materials and maintenance rose so as to exceed the governmental outlay. It is reported that in vital areas (such as teacher training and basic instruction materials), parental and teacher self-help have virtually replaced the state's contribution (Hopper, 1989). Citing the Zambian case, Klugman (1994) argues that cases which represent 'cost-cutting' through decentralization raise important issues about the ultimate division of responsibilities for the provision of basic social services between the state and the private sector, and the redistributive role of the central government.

Evans et al. (1996) report the high and rising share of private primary education in a number of countries in the 1990s. In Madagascar, the share of private schools increased from 13 to 21 per cent; in Malawi from 6 to 21 per cent; in Lesotho by 10 per cent; and in Swaziland by 8 per cent between 1985 and 1995. Top-down decentralization as practiced in these countries having elements of deconcentration,



delegation, privatization and devolution resulted in the privatization of education and shrinking of central resources going to education.

Another issue relating to public expenditure is the degree of financial autonomy of local governments versus dependence on central transfers. The heavy reliance of local government upon central transfers means that their degree of financial autonomy tends to be quite limited. Experience has shown that financial dependence can increase local government's vulnerability to central domination in terms of formal controls (e.g. tied grants) and more covert modes of influence, as well as to the economic fortunes of the national government.

Analysis of Nigerian case shows that local governments are heavily dependent upon central grants, which can be withheld if local expenditure is judged 'wasteful, unreasonable or in conflict with central policies' (Smith, 1982). It was also noted that 99.6 per cent of grants for education and health were in arrears, causing severe cash flow problems (1969–70). The national dependence on oil led to extreme instability, as both prices and production oscillated on a monthly basis and made the planning of government expenditures, at all levels, virtually impossible.

A significant problem facing Tanzanian local authorities since 1982 has been the general decline in central transfers, which is itself a result of macro-economic constraints (particularly the rising burden imposed by debt servicing). At the same time, local dependence on central transfers has increased significantly, from 60 per cent (1984–85) to 77 per cent in 1987–90. These trends have diminished the ability of local authorities to run key social and economic services and to maintain local infrastructure (Mutizwa-Mangiza, 1990). The author draws the negative lesson that it is 'very unlikely that much decentralization can be achieved in circumstances where central government accounts for much of local expenditure'.

The extent to which central transfers constrain local autonomy depends largely upon the terms of the allocation – whether block or conditional, whether there are any accompanying guidelines and so on. In 1973, the Indonesian government launched a major school construction programme, the INPRES programme (INPRES standing for presidential instructions). Between 1973 and 1983, Indonesia witnessed the fastest expansion in school construction ever. The general allocation rule was that the number of schools in each district was proportional to the number of children of primary school age not enrolled in school in 1972. The 'presidential instructions' also listed the exact number of schools to be constructed in each district (Duflo, 2001). Klugman (1994) notes that local discretion has been limited to location, while decisions as to how many, what capacity, design, etc. are resolved by the centre.

The major body of research that attempts to capture the impact of decentralization on educational 'outcomes' and in quantitative terms has come from the World Bank researchers. Given the difficulty of the task, particularly the problem of isolating

the impact of decentralization from other on-going policies and changes, this body of work is not large. The evidence is at best mixed. Most of the evidence is from Latin America as East Asia's experience with decentralizing education is fairly recent and research on its impact nascent (King and Guerra, 2005).

In case of Brazil, researchers find that while school councils and direct transfers of resources are not significantly related to better student performance, the elections of the school director is associated with higher test scores (Barros et al., 1998) Qualitative studies have shown that while *de jure* autonomy rarely exerts any influence in most schools, *de facto* autonomy appears to increase the teacher motivation, thereby positively affecting the potential to raise student learning and participation in the classroom (Guerra, 2003).

Evaluations of Chile's reforms are inconclusive about the impact of greater local participation and school choice on student's performance. The two phases of reform appear to have produced significantly different results. One evaluation concluded that the first phase had either a negative effect on student performance or no effect (Winkler and Gershberg, 2000). A confounding factor was that education expenditures declined during the same period. A later evaluation concluded that the reform did not improve public school quality and that test scores for the majority of public school students declined (McEwan and Carnoy, 1999) Evaluations in the second phase show more positive results with an increase in language and math test scores on standardized examination, by about 18 per cent – but again, it has been difficult to isolate the effects of decentralization reform *per se* from other concomitant processes such as the substantial increase in education expenditures throughout the decade (King and Guerra, 2005).

King and Ozler (2005) attempt to study the impact of school autonomy reforms on students learning in Nicaragua. We shall discuss the work by King and Ozler (2005) on Nicaragua's educational reform, which is typical of this genre of research, in some detail to understand the methodology and its theoretical underpinnings. In Nicaragua, between 1993–05, the consultative groups in public schools were converted into school management councils (SMCs), thus creating first legally autonomous public schools (*Ibid*). These councils were given legal status and were given several key management tasks. The reform also consisted of giving school principals a monthly fiscal transfer to pay for teacher salaries, benefits and basic maintenance, over which the school councils had control, and the right to charge and retain fees for attendance, registration, exams and other services, as well as the right to exempt certain students from these fees.

The functional relation that the paper tries to explore concerns how the school autonomy (*de jure* versus *de facto*) affects test scores in student achievement tests in math and language. Since the reforms did not cover all the schools, there is a control group of 46 traditional schools and 80 autonomous schools where the

reforms were undertaken. In the education production function, a heuristic device was used widely in estimations of the outcome of this kind of returns and the performance of students was sought to be a function of two variables – school inputs (measured in terms of students characteristics, household characteristics and teachers' characteristics) and school autonomy. The latter, as the authors say, has rarely been used: 'school policies that attempt to 'control teacher activity' are important mediating devices in transforming teacher inputs into specific educational outcomes but these are almost never considered in educational production functions.'

The econometric estimation of the model using the instrumental variable method (which authors candidly admit has problems of choice of instrument) reveals that schools that have de facto autonomy results in better student achievement. Further, they are able to show that autonomy with respect to administration (setting salaries of teachers, incentives and hire and fire policy) has a stronger influence on achievement than pedagogic autonomy (defining academic plans and programmes, designing curriculum and setting textbooks).

The reason why pedagogic autonomy does not translate to better student achievement or only marginally improves it has been left unaddressed by King and Ozler (2005), although it is of central interest to education policy. Bjork (2006) provides some clues in this regard in the context of Local Content Curriculum (LCC) reform launched in Indonesia in 1994. Decentralization measures like the LCC depend on local actors displaying independence and initiatives as they implement reform measures. Throughout their careers, Bjork reports, 'public school employees have been conditioned to repress any inclinations that they might have to approach their work with a sense of independence.' The reforms changed the instructions from the top, but after a long history of being denied opportunities to participate in determining the direction of schooling, schools and teachers could not promptly switch attitudes and habits. Bjork leaves us with a possibility that time would eventually make a difference.

In case of health, it is generally held that locally provided primary health care (PHC) is a more cost-effective approach than the provision of large central hospitals. This follows from cost savings on personnel, more appropriate technology, cheaper and effective treatments, and lower overheads. On the other hand, decentralization may enlarge the scope for delays, supply problems and malfeasance (Klugman, 1994). The literature reflects that there are factors working both ways.

A study of efficiency in PMC in Indonesia which compared health centres, sub-centres and community health workers, found that community-based health care was the most cost-effective approach (Berman, 1989). Both centres and sub-centres provided a similar type of services, through paramedical staff. Cost curves were constructed for specific health functions (curative care, maternal and child

health, and family planning). It was found that community health workers were significantly cheaper than clinic-based care – the average costs of community-based nutrition programmes, maternal and child health, and family planning services were markedly lower than clinic-based services. This provides empirical support for the argument that there is significant potential for cost savings through the delegation of routine services to community health workers. Further, Berman notes that although there did not appear to be any verifiable difference in efficiency between health centres and sub-centres, the latter were found to be clearly favoured by low-income users. This suggests an equity benefit from the decentralization of health services to more peripheral units. In comparing mother and child health/family planning in clinics with community-based care, community health workers were both more efficient and more equitable (*Ibid*).

A quantitative study of a public health programme sought to test whether decentralized management was more efficient in Ecuador (Mangelsdorf, 1988). The rural health programme recruited indigenous health workers from isolated rural villages into a two-month training course, followed by placement back in their villages. The workers were supposed to be provided with the supervision and medical supplies needed to perform their duties. The study measured the productivity of health workers, in terms of the number of homes and pre-natal visits, village meetings and patients attended. It was found that decentralization was not a significant determinant of the number of community meetings or patients attended. Yet, there appeared to be an increase in the amount of maternal-child-care under decentralized supervision. Within an eight-year period, the drop-out rate of the community health workers was 17 per cent.

Several factors may have contributed to these mixed results. Interviews identified shortages of supplies as the primary obstacle to performance of duties. This, in turn, could be attributed to the difficulties encountered by the government in financing the project on a large scale. Decentralization worsened problems in the distribution of medical supplies, in terms of delays and shortages.

Reviewing the evidence from six Latin American countries, Burki et al. (1999) indicate that the provision has worsened under decentralization. Transfer of resources and staff to lower levels of government has neither improved service delivery nor reduced the costs of care (*Ibid*). Chile provides some evidence on the equity effects of decentralization and privatization of health care provision under the military regime in the 1980s. A review published in 1990 concluded that ‘in general, the transfer of primary care clinics to municipalities has not resulted in extending coverage or in improving the quality of services, largely because of a lack of professional supervision and poor health planning by the area health services (Montoya-Aguilar and Vaughan, 1990). Despite vigorous efforts to promote private health provision and to delegate public health care provision to municipalities,

two-thirds of all medical consultations and 80 per cent of hospitalizations were still state funded in the mid-1990s. Problems continue to affect the quality of public health care provision through municipalities, despite measures to improve targeting and resourcing: 'Although low-income earners receive "free" health care, "access is difficult, waiting times are long, services are of poor quality, and facilities and provision of pharmaceuticals meager".' However, since it is difficult to disaggregate the effects of decentralization from privatization and fiscal constraints, the problems of public health provision under the municipalities cannot be easily attributed to local administrative arrangements alone.

Colombia is the other Latin American country for which some data on the impact of decentralization on service delivery is available. In response to growing social protests over the declining quality of public services, the Colombian government devolved responsibility for public services to elected municipalities and increased intergovernmental transfers and revenue raising powers from the late 1980s. Local governments assumed responsibility for the provision of services in education, health, water, sanitation, roads and agricultural extension. Evidence suggests that satisfaction levels with municipal governments increased after the introduction of direct elections for mayors in 1988. Case studies of individual municipalities and opinion surveys 'found evidence of increased service coverage, citizen satisfaction, attention to rural areas and the poor, cost consciousness and resource mobilization efforts' (Fiszbein, 1997).

The above body of research reviewed has essentially looked at the impact of decentralization, particularly administrative decentralization, on public provisioning of healthcare. We further review the literature that has looked at fiscal decentralization and the ways in which it interacts with the local health expenditure and the outcome variables on health.

Cross-country studies have tried to test the impact of fiscal decentralization on the outcome variables such as IMR. Using a panel of low- and high-income countries between 1970–1995, Robalino, Picazo and Voetberg (2001) find that higher fiscal decentralization is associated with lower mortality rates. Their results suggest that benefits of fiscal decentralization are particularly important for poor countries. The results also suggest that the positive effect of fiscal decentralization on infant mortality rates increase in institutional environments that promote political rights. Fiscal decentralization appears as a mechanism to improve health outcomes in environments with high levels of corruption.

Schwartz, Guilkey and Racelis (2002) in an interesting comparative study of pre- and post-devolution expenditure patterns in the Philippines obtain that the per cent of revenue allocated to health by both city/municipalities and provinces increased following devolution and continued to increase till 1995 and 1998 compared with the share allocated to health prior to devolution. The results

suggest that local governments, which have discretionary authority, allocated increasing shares of total resources to health at the expense of other locally provided government services following devolution.

On the allocation of health expenditure across heads, the results suggest that the per cent of revenue allocated to public health decreased immediately following devolution and stayed below the pre-devolution level in 1995 and 1998. The authors opine that the result is consistent with Akin et al. (2005) for Uganda and suggests that local governments may be more inclined to spend on private health types of goods rather than public health goods. Provincial governments in this case were forced to change their pre-devolution allocation of high public health allocations to private health allocations due to the devolution of the operation of hospitals to the provincial governments. This new responsibility transferred a large private health responsibility that was previously funded by the central Department of Health.

Nigeria is one of the few countries in the developing world to systematically decentralize the delivery of basic health and education services to locally elected governments. Its health policy has also been guided by the Bamako Initiative to encourage and sustain community participation in PMC services. Das Gupta, Gauri and Khemani (2003) present findings from a survey of 252 primary health facilities and 30 local governments carried out in the states of Kogi and Lagos in Nigeria in the latter part of 2002. The evidence shows that locally elected governments indeed do assume responsibility for services provided in PMC facilities. However, the service delivery environments between the two states are strikingly different. In largely urban Lagos, public delivery by local governments is influenced by the availability of private facilities and proximity to referral centres in the state. In largely rural Kogi, primary health services are predominantly provided in public facilities, but with extensive community participation in the maintenance of service delivery. However, the non-payment of health staff salaries in Kogi is suggestive of problems of decentralization when local governments are heavily dependent on fiscal transfers from higher tiers of government.

The review of evidence in this chapter indicates that there is some degree of correlation between decentralization and delivery of public services. The causality, however, is hard to establish due to confounding local factors which are difficult to control for. The nature and structure of decentralization imposed systemic differences in experiences across countries as well. It is therefore important to understand the policy and institutional processes that have differential impacts on service delivery in a decentralized context. In the next chapter, we examine the historical context and background for decentralization in India which will help us understand its links with social service delivery over the past decade.