

PARTICIPATION, LOCAL GOVERNANCE AND DECENTRALISED SERVICE DELIVERY¹

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Introduction

Proponents of decentralisation base their arguments on widely differing criteria, ranging from expected improvements in allocative efficiency, welfare, and equity, through to increased participation, accountability, and responsiveness on the part of local authorities. The former are generally employed by economists and are framed in terms of the costs and benefits of decentralisation, while the latter are favoured by social scientists and practitioners concerned with democratic aspects of the process (Blair, 2000).

The scope for decentralisation to generate improvements in service delivery offers a useful opportunity to employ both sets of evaluative criteria. However, the literature on democratic decentralisation and service delivery generally falls into two distinct categories: opportunities for enhanced popular participation and increased accountability of local authorities, or on new forms of service delivery involving a plurality of actors. There is no systematic or comparative evidence on whether increased participation in decentralised local governance generates better 'outputs' in terms of improvements in the provision of health, education, drinking water and sanitation services for poor and marginalised people. The available evidence draws either on examples from single countries and sectors, or is anecdotal, temporally specific and highly localised, making the task of generalisation impossible. Similarly, efforts to measure 'outcomes', in terms of reduced poverty or improved social indicators, as a consequence of devolved powers and resources to local governments and increased participation, are inconclusive and fraught with methodological problems.

These data constraints pose a serious challenge to advocates of participation and local governance, since the material benefits for the poor arising from improved service provision ought to be a key determinant of the effectiveness of democratic decentralisation.² The positive consequences of increased participation, accountability and responsiveness should not be underestimated, especially when political rights have been severely curtailed under centralised, authoritarian regimes. However, unless these process changes demonstrably translate into enduring improvements in service provision and material well-being, the claims made for the pro-poor potential of democratic decentralisation remain incomplete and cannot easily be sustained.

Some definitional issues are in order at this point. Decentralisation encapsulates three distinct elements: (1) financial decentralisation, entailing the transfer of financial

¹ This paper was prepared for a workshop on *New Approaches to Decentralized Service Delivery*, held in Santiago, Chile, on 16-20 March, 2003.

² As noted by Dillinger (1994: 8-9), '[T]he objectives of decentralization ... appear only tangentially related to administrative performance ... the decentralization now occurring is not a carefully designed sequence of reforms aimed at improving the efficiency of public sector performance. It more often takes the form of a reluctant and disorderly series of concessions series of concessions by central governments attempting to maintain political stability.'

resources in the form of grants and tax-raising powers to sub-national units of government; (2) administrative decentralisation (sometimes referred to as deconcentration) where the functions performed by central government are transferred to geographically distinct administrative units, and (3) political decentralisation where powers and responsibilities are devolved to elected local governments; this form of decentralisation is synonymous with democratic decentralisation. Our concern in this paper is mainly with democratic decentralisation, but several experiments in decentralised service delivery have involved the transfer of financial or administrative powers to sub-national units of government that are not subject to democratic oversight through competitive elections. These variations in the form and content of decentralisation have an important bearing on service delivery outcomes, and on processes of participation, accountability and responsiveness.

The focus of this paper is mainly on equity and social justice concerns, and some elaboration is required of the meaning and application of these terms in the context of service delivery. Equity can be assessed in two ways: access to services across different groups of the population on the basis of income, gender and other categories, and inter-regional equity in terms of disparities in access within and across local government jurisdictions (Litvack *et al.*, 1998: 8). The provision of affordable, accessible and appropriate services to all categories of a population in equal measure, but with particular concern for the welfare of economically and socially marginalised groups, frames a social justice perspective on service provision (One World Action, 1999; 2001).

Services are often equated with public goods like health, education, drinking water and sanitation and are the most common forms of services provided by local governments. Police, fire, transportation, housing and social welfare services also fall under local government jurisdictions in many countries. Local governments are also given responsibility for a range of other public services, such as infrastructure in the form of roads and bridges, public buildings, and housing. In many developing countries, specialised services for low-income groups are the responsibility of local governments, such as social welfare, credit, and agricultural extension. Local authorities in rural areas often perform a range of functions directed at agriculture and rural development, environmental management, disaster prevention and rehabilitation. Our focus in this paper is principally on health and education as services that impact most directly on the wellbeing of the poor.

In most countries public services are largely provided by the state, through government departments and specialised agencies, while private sector provision is becoming increasingly common in all areas of service provision as a result of state failure, privatisation and legislation that permits market competition. While beyond the scope of this paper, the literature on co-production divides public service provision into three distinct components: determination of the scope and content of provision, the financing of services, and the production or physical delivery of the service in question. Governments may remain responsible for determining service standards and financing the costs of provision, but private sector organisations, whether for-profit or not-for-profit, deliver the service. These distinctions serve to demonstrate that public service delivery is no longer the exclusive prerogative of state agencies in national and local

governments, but involves combinations of state and private actors, and increasingly civil society organisations that directly engage in the delivery of services.³

The remainder of the paper is organised as follows. Section 2 considers the expected benefits of decentralisation for service delivery outcomes and reviews the available evidence on various sectors and regions, concluding that equity and social justice objectives are rarely achieved in practice. Section 3 advances a series of propositions concerning the institutional, political and technical dimensions of an approach to decentralised service delivery that can be conducive to improved outcomes. Some conclusions and implications for practice are advanced in Section 4.

Decentralisation and service delivery: implications for equity and social justice?

A leading rationale for decentralisation is that it can generate financial, efficiency and quality gains by devolving resources and decision-making powers to local governments for the delivery of services. It is financially attractive to national governments because part of the burden of financing services can be shifted to sub-national units and private providers. The efficiency argument is that productivity of health, education and other services will be maximised by allowing local governments to take decisions on the allocation of scarce resources, since they have a better sense of local priorities. In the process, decentralised units of government can become more accountable in resource allocation decisions. It is further argued that the quality of service provision can also be enhanced by decentralisation since local governments will be more sensitive to variations in local requirements and open to feedback from users of services.

There are risks involved in decentralisation. First, there is no automatic assurance that increased political autonomy for local governments will lead to improvements in public services. There is also the risk of capture by local political elites which can worsen the delivery of services. Third, the technical capacities of local government staff may be inadequate. Fourth, decentralisation can widen regional disparities in the provision of public services. Fifth, decentralisation poses macro-economic risks by increasing government vulnerability to financial deficits and over-expanding the size of the public sector (Burki *et al.*, 1999: 3-4).

Governments in Latin America, Africa and to a lesser extent, Asia, have experimented with decentralised service delivery over the past two decades. Initiatives have centred on the transfer of powers and resources to lower tiers of government, through a combination of measures centring on deconcentration to state agencies operating under central line departments, and devolution to elected local authorities. However, the data is partial and incomplete, and in the absence of cross-national and cross-sectoral studies, some caution is required in the interpretation of available evidence.

Latin America

The decentralisation process has progressed furthest in Latin America, beginning with efforts in Chile and Colombia in the early 1980s to delegate increased responsibilities to municipalities for the delivery of health and education services. These reforms were introduced in response to a variety of domestic circumstances that differed between

³ This has progressed furthest in the U.S. and the U.K. where municipal councils contract out major services to private providers. On the co-production framework, see Robinson and White (2001).

countries in the region. In some cases, conditions of resource scarcity brought about by macro-economic crisis spurred countries to devolve responsibility to lower tiers of government (Prawda, 1993). In Colombia, Argentina and Brazil governments devolved powers to elected municipalities as part of a wider process of political liberalisation, whereas the Pinochet regime in Chile favoured administrative deconcentration to municipalities under the control of non-elected administrators appointed by the military (Nickson, 1995). In Chile, where the reforms were most far-reaching, the transfer of responsibility for primary and secondary education and primary health care was accompanied by measures designed to expand private schools and health care facilities. According to Stewart and Ranis (1994), 'Municipal governments thus acted like "service delivery agents", providing local public services on a cost-effective basis, without having local governing power.'

Municipalities in Latin America deliver services in four ways: directly through municipal secretariats and departments; indirectly through municipally owned foundations; through enterprises owned by the municipalities or as joint ventures with the private sector; and through contracts to private companies or voluntary agencies (Nickson, 1995). The absence of comparative data on the equity impact of decentralised service delivery in Latin America makes it difficult to derive well-founded conclusions on the municipalisation process, but there is some information available for particular sectors.

Prawda's comparative review of educational decentralisation in four Latin American countries in the 1980s – Argentina, Chile, Colombia, and Mexico – provides some insights into the equity and efficiency impacts of these reforms (Prawda, 1993). He concludes that decentralisation of education did not lead to discernible quality improvements, but rather produced negative equity effects, with the result that the gap between better off and worse off schools actually widened. Educational expenditures fell in three of the four countries (Argentina was the exception) on account of sharp decreases in teachers' salaries, reflecting conditions of fiscal austerity, which may well have impacted adversely on teaching quality.

Four key lessons arise from Prawda's review: (1) decentralisation does not automatically accomplish productivity, equity, and quality improvements; (2) educational decentralisation requires a lengthy gestation period before it starts producing benefits; (3) continuous changes of senior personnel in central and local administrations are inimical to reform; and (4) an expansion in private provision has widened the performance gap between schools and income groups (Prawda, 1993: 262). He argues that fiscal incentives should be built into the decentralisation process to stimulate the performance of local governments, by rewarding local revenue-raising efforts and penalising severe budgetary deficits.

Chile is the only country for which data is available on cognitive achievement in selected subjects, which serves as a proxy for determining the impact of the reforms on quality and equity in education provision. According to Prawda, 'as measured by cognitive achievement results, it is quite clear that quality did not improve in the 1982-1988 period. It is also clear that quality inequity widened significantly at that time' (Prawda 258).⁴

⁴ For example, the gap between the highest and lowest school scores in Spanish widened by 34% in the 1982-88 period, with the highest scores registered by private schools in the high income barrios of Santiago, and the lowest in rural municipal schools, while disparities in mathematics remained constant (Prawda, 1993: 261).

These findings are corroborated by Parry, who finds that decentralisation and privatisation have resulted in greater inequity in expenditures and widened differences in the performance of students from different income groups (1997: 116-7). Declining real per capita expenditures and competition for students between municipal and private schools also had some negative consequences for equity in the 1980s but remedial measures introduced by civilian governments after 1992 have counterbalanced these trends. (*Ibid.*: 128-9). Municipal councils and mayors are now elected and municipalities have been provided with additional funds to cover service outlays, but discretionary power to raise additional resources remains limited (Stewart and Ranis, 1994).

As for health care, evidence from six Latin American countries indicates that provision has worsened under decentralisation. Transfer of resources and staff to lower levels of government has neither improved service delivery nor reduced the costs of care (Burki *et al.*, 1999: 75-86). Chile provides some evidence on the equity effects of decentralisation and privatisation 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% of hospitalisations were still state funded in the mid-1990s, supported by 7% tax on earnings and pensions. 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" (Gillion and Bonilla, cited in Tankersley and Cuzan, 1997: 113). However, since it is difficult to disaggregate the effects of decentralisation from privatisation and fiscal constraints the problems of public health provision under the municipalities cannot easily be attributed to local administrative arrangements alone.

Colombia is the one other Latin American country for which some data on the impact of decentralisation 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 sharply increased intergovernmental transfers and revenue raising powers from the late 1980s (Forero and Salazar, 1991: 122). 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 mobilisation efforts' (Fiszbein, 1997: 1030). There is some evidence of a positive relationship between the strength of community participation and government performance: municipalities that followed a more open and inclusive approach to policy making were positioned to achieve better outcomes. The majority of individuals surveyed in a sample of 16 municipalities believed that municipal governments play a central role in the provision of education, water and roads. An overwhelming majority report greater trust in local than national government and a larger number of individuals prefer the municipal government to be in charge of overall service provision (*Ibid.*, 1997:

1035). Municipalities assumed responsibility for over public education after 1991 with the formation of councils composed of teachers, parents and students to run local schools. Councils were given the right to elect principals, but hiring remained under the control of the Ministry of Education. Autonomous regions, communities and schools were given power to adapt curricula, raising concerns about fragmentation (Astiz et al., 2002: 75).

Sub-Saharan Africa

The evidence from Africa is very limited and even more qualified as regards the equity impact of decentralised service delivery. Despite the inclusion of decentralisation in public sector reform efforts in the 1980s and early 1990s by countries such as Uganda, Botswana, Nigeria, Ghana, Côte d'Ivoire, Kenya and Tanzania, one leading commentator has stated that 'there are no real success stories as far as improved development performance at the local level is concerned' (Adamolekun, cited in Francis and James (2003). This stark finding is corroborated by Wunsch (2001), who attributes to failure of decentralisation to problems such as the over-centralisation of resources, limited transfers to sub-national governments, a weak local revenue base, lack of local planning capacity, limited changes in legislation and regulations, and the absence of meaningful local political process. These dismal assessments are reflected in studies of decentralised service provision from a number of countries in the region.

Uganda is one African country that has pursued a potentially far-reaching decentralisation experiment since the late 1980s, with increased availability of resources for national social service programmes, especially education, and health and water infrastructure channelled through local councils. But the evidence suggests that 'decentralization has not been able to arrest the deterioration in agricultural services, and that the improvements in social services are attributable to increases in central conditional funding rather than the very limited scope which decentralized institutions have provided for local decision making' (Francis and James, 2003: 333).

In Côte d'Ivoire, new opportunities were created for popular participation through the introduction of multi-party competition for local council (commune) elections, but the mayors continued to exert over-riding control and influence. As a result the preferences expressed by local people for roads, social facilities and water supplies did not correspond to spending priorities of the communes, which focused on municipal buildings and secondary schools. In any case, most commune development programmes collapsed in the face of public spending cuts during the financial crisis of the early 1990s. It is therefore unsurprising that only one third of those interviewed in four sample communes felt that the communes addressed their development needs (Crook, 2001: 26). A similar finding emerges from Ghana, where survey evidence from two district demonstrates that 70% of respondents felt that the elected assembly did not respond to their needs. Expressed preferences for road repairs, health facilities, water supplies and electricity were not reflected in district assembly expenditure priorities which focused on commercial transport services, farming, manufacturing enterprises or markets, a situation exacerbated by the dominance of recurrent expenditures in district budgets (Ibid.: 32). In Nigeria, a study of primary health care in the early 1990s reveals a complete lack of real participation in decision making despite devolution of responsibility to elected local officials. Local residents saw primary health care as unreliable, ineffective and unresponsive to their needs, while councillors were unclear of

the health needs of their constituents, and had little knowledge of health plans and activities (*ibid.*: 35).

South Asia

Evidence from Asia is very limited, largely because decentralisation experiments in countries of the region are more recent in origin, and because in most South Asian countries services have only been devolved to a limited extent. Drawing on survey data from 33, 000 households in 17,000 villages Mahal *et al.* (2000) demonstrate that decentralisation of public service delivery in primary health care and education services is positively correlated with improved child mortality and school enrolment. However, in India health and education services are generally under the jurisdiction of state governments and local councils have limited influence over the use of resources or deployment of personnel. Elected councils have limited discretion over the use of resources for developmental purposes, which are largely earmarked for schemes and programmes determined by state and central governments. It is only in the Indian states of Kerala and Madhya Pradesh that decentralisation of expenditures for basic services has taken place on a significant scale, in the former by placing substantial untied funds at the discretion of local village councils for developmental purposes, and in the latter through specialised missions for primary health and education. Some preliminary evidence from Kerala's Popular Planning Campaign launched in 1996 indicates that local council expenditures more accurately reflect local priorities but it is too soon to determine their equity impact (Isaac, 2000).

By comparison, successive decentralisation schemes in Bangladesh have all failed to deliver improved services or outcomes. According to Crook, "Material welfare, in terms of agricultural output, did not increase, there was little evidence of greater equity at grassroots level, and a number of studies indicated that the beneficiaries were the rich and the well-born. Instead, decentralisation was generally seen as a means to channel development resources into the hands of the better off" (2001: 46). Responsibility for implementation of disaster relief programmes was devolved to local councils under the Ershad military regime in the mid-1980s, but with negative impacts: flood rehabilitation programmes suffered from poor management, maldistribution, corruption, and shortages of resources, while few very poor households received any benefits from rehabilitation schemes that tended to focus on roads, bridges and buildings (*ibid.*: 46).

This brief and partial review of the experience of decentralised service delivery leads to the following tentative conclusions. First, equity outcomes have generally not been realised for poor and socially marginalised people. Second, the quality of public service provision has not improved under decentralised local government, and variation in the quality of services supplied by the state has widened relative to those offered by private providers. The gap in quality between wealthier and poorer areas has often increased under decentralisation. Third, efficiency gains have been realised, usually as a result of the delegation of financial responsibility for service provision from central to local governments, but resources have not been adequate to ensure effective coverage and quality.

Decentralised service delivery: building blocks for improved equity and social justice outcomes

It is tempting to draw the conclusion that equity and social justice objectives are not well served by decentralised service provision, and that centralised provision through deconcentrated state agencies is a preferable approach.⁵ At the same time, evidence suggests that increased participation and accountability do result from democratic decentralisation, and that these benefits should not be underestimated (Crook and Manor, 1998; Blair, 2000). The challenge is to identify the conditions under which increased participation in local governance is conducive to enhanced outputs in terms of the equity, quality and efficiency of services. This may require further comparative research but it is possible to outline a schema in which the potential ingredients for success are political, institutional, financial and technical in nature.

Political commitment and leadership

Political factors are of intrinsic importance to decentralised service delivery for several reasons. It is widely accepted that political commitment on the part of federal or state governments is a *sine qua non* of effective democratic decentralisation, and especially forms of decentralisation that are specifically geared to the interests of the poor (Crook, 2001; Blair, 2000).⁶ Successful pro-poor decentralisation is associated with governing parties that are politically committed to the democratic empowerment of local governments (Heller, 2001; Escheverri-Gent, 1993).

The Indian state governments of West Bengal and Kerala evince a strong commitment to decentralisation, reflected in supportive legislation and a significant flow of resources to lower levels of government. In Colombia successive governments from the mid-1980s have systematically devolved powers and resources to municipalities with positive consequences for service delivery. Brazilian experience demonstrates how political commitment at the level of individual municipalities can explain a propensity for pro-poor reform initiatives, such as the participatory budgeting process in Porto Alegre and other cities (Biacchi, 2001; Heller, 2001). In contrast, evidence from Africa and Latin America demonstrates that weak commitment to decentralisation opens up the possibility of elite capture, the absence of participation, and ineffective outcomes.

Political leadership also plays an important role in shaping outcomes, since political leaders in local governments do not respond with equal vigour to the opportunities presented by high-level political commitment to democratic decentralisation.⁷ This is especially important in administrations with powerful, directly elected mayors who have the authority to effect or block change mandated by higher level political authorities. For instance, in the Colombian case mayors committed to deepening the process of municipal decentralisation through public consultation and enhanced resource flows registered higher levels of public satisfaction with service delivery outcomes. According to Fiszbein, 'competition for political office opened the doors to responsible and innovative leadership that became the driving force behind capacity building. It was the combination of the added responsibilities, more resources and political reforms that

⁵ See, for example, Johnson (2001) and Schneider (2003).

⁶ Defined by Heller (2001: 133) as 'an increase in the scope and depth of subordinate group participation in authoritative resource allocation'.

⁷ Effective leadership also plays an instrumental role in fostering local innovation, especially in response to political and institutional incentives. There is now considerable experience of using awards through public competitions to recognise innovative approaches to programme implementation and service delivery in local governments in Brazil, South Africa, Mexico, Chile, and the Philippines.

created the environment conducive to the emergence of effective local governments' (1997: 1032).

Political mobilisation of the poor

The political impetus for democratic decentralisation created by reform-minded political parties can create opportunities for collective action from below by mobilising constituencies traditionally excluded from policy making arenas. This can entail mobilisation of cadres and supporters by political parties in local constituencies, and mobilisation of the poor by civil society organisations (NGOs, trade unions, social movements) to take advantage of political openings from above and to articulate public protest and dissent.

Party-based mobilisation can assume two forms in the context of democratic decentralisation: mobilisation of people through local units of political parties for electoral purposes, and mobilisation of supporters to ensure effective implementation of reform initiatives. Democratic decentralisation usually entails the devolution of power to elected local authorities which widens the scope of political participation at the local level. In many Latin American countries municipalities were traditionally run by non-elected administrators appointed by military or authoritarian regimes. Legislation introduced in the 1980s led to the creation of elected mayors and local councils, providing opportunities for political mobilisation around competing policy agendas. However, political parties are not always allowed to contest local elections (for example, Uganda, India and Pakistan), which must be fought on an individual or no-party basis, thus limiting the scope for party-based mobilisation. However, in Brazil, Kerala and West Bengal, local government elections serve as a basis for party-based mobilisation around competing political agendas, though the extent to which agendas hinge on service delivery issues is unclear.

Civil society organisations also mobilise constituencies in local government jurisdictions to take advantage of increased powers and resources, to mobilise people to take part in consultative arenas (see the following section), and to engage in public protest over public services. In Kerala a prominent social movement (Kerala Sastra Shitya Parishad – the People's Science Movement) played a critical role in shaping and implementing the People's Campaign for Decentralized Planning in the late 1990s, though this has not been replicated elsewhere in India (Isaac, 2000; Chaudhuri and Heller, 2002). Civil society mobilisation in the context of local government is particularly evident in Latin America, which may reflect traditions of political resistance to authoritarian rule, but also resource availability at the local level. Social movements and trade unions played a part in mobilising protest over the state of municipal services in Colombia in the 1970s, which served as a catalyst for subsequent reform of local government. In the city of Cochabamba in Bolivia, civil society organisations helped to articulate public demonstrations over water privatisation and service charges, resulting in remedial measures by the municipal administration. Several South African municipalities have witnessed civil society-led protests over service standards and fees.

Institutionalised participation

In recognition of the latent power of organised civic protest, local authorities in different countries have experimented with institutional arrangements designed to facilitate public engagement, feedback and oversight. These range from consultative bodies designed

to provide citizen oversight over particular services, in the form of health councils and school boards. Prominent Latin American examples include the local administrative boards in Colombia, local area boards in the Municipality of Sao Paulo and the neighbourhood councils of Montevideo, through to more ambitious exercises designed to elicit participation in decisions concerning priority setting and resource allocations, exemplified by the participatory budgeting exercises in Porto Alegre and other Brazilian cities (Nickson, 1995: 86-9).

Critics argue that such bodies serve to undermine popular resistance and oversight, while their proponents claim that institutionalised participation facilitates and widens public deliberation, planning and implementation. However, in the absence of any comparative information or evidence it is difficult to ascertain either the prevalence of these bodies or their effectiveness in influencing resource allocations or service standards.

Adequacy of financial resources

The availability of financial resources is a critical determinant of the equity, quality and efficiency of public services and the inadequacy of financial resources often explains poor service outcomes. Devolution of responsibility for service provision to local governments is usually accompanied by some element of financial decentralisation through resource transfers, usually as a share of central taxation, or enhanced powers to raise revenues through a variety of local taxes. Financial decentralisation often renders local governments vulnerable to macro-economic shocks and remedial measures to control public expenditures and national budget deficits. Several Latin American countries experienced this phenomenon in the 1980s on account of economic stabilisation measures, which sharply reduced spending on the social sectors and the value of transfers to local governments. The quality and reach of public services is bound to suffer in the absence of complementary measures to raise local resources. The financial imperative has been a key factor underlying municipal privatisation initiatives and the introduction of cost-sharing measures in the form of user fees in local governments around the world.

Another dimension of the financing question centres on the financial powers of local governments. Salaries and recurrent expenditures tend to account for a large share of local government outlays on services, especially in the health and education sectors, with more limited resources available for capital expenditures. Limited scope for discretionary allocations across budget heads further restricts the budgetary autonomy of local governments. Local governments may also receive financial transfers that are earmarked for certain programmes or pre-assigned categories of expenditure. In India, for example, local bodies receive grants in aid from state and central government that are tied to specific anti-poverty and social welfare programmes, while recurrent expenditures account for a very high proportion of health and education budgets. The financial autonomy of local governments is thus highly constrained. A major exception is Kerala, where the local panchayat councils have discretion over 40 per cent of the state development budget, subject to broad guidelines on different categories of expenditure.

Technical and managerial capacity

The provision of public services can be an enormously complex exercise, especially in urban municipalities with large populations, and often requires a high level of technical

and managerial capacity.⁸ However, decentralisation of responsibility for service provision has not always been accompanied by measures to ensure effective capacity for planning, budgeting, implementation and monitoring in local governments, all of which have a critical bearing on service quality. Efforts to build professional and technical skills of local government employees, and to improve the internal organisation and management style of local administration are often central to building such capacity.

Managerial and technical capacity is not only a key determinant of the performance of local officials in relation to service delivery, but also influences their behaviour towards users of services. Centralised service delivery through hierarchically organised line departments and deconcentrated agencies gives rise to behavioural norms that may not be conducive to participation and greater responsiveness. Creating an organisational culture in local government that is more citizen-friendly and receptive to active community involvement, as well as performance oriented, requires a combination of incentives and focused capacity building measures to complement the strengthening of technical and managerial skills.

Conclusions

This paper has sought to ascertain the impact of decentralised service delivery in terms of equity and social justice outcomes. Subject to constraints of data, two main conclusions arise from a review of available evidence in less developed countries: (1) quality and equity of access have not improved with decentralisation of health and education services; and (2) outputs are closely related to the availability of financial resources and local government capacity.

These insights tend to give rise to two types of policy prescription, neither of which is closely compatible with democratic decentralisation: (1) health and education services are better administered by deconcentrated public agencies working under the direct control of central line departments, and (2) expanding the role of private providers and introducing user fees can improve quality and efficiency of resource use. However, experience suggests that while efficiency gains may be realised, neither of these approaches is conducive to participation, nor are they guaranteed to produce outcomes that are more favourable to equity and social justice objectives.

The challenge for proponents of democratic decentralisation is to specify methods and approaches by which equity objectives can be realised under decentralised forms of service delivery. Successful interventions are not premised on participation and accountability alone, but require attention to political factors (commitment, leadership and mobilisation), institutional arrangements, financial resources, and technical and managerial capacity. Greater emphasis should be given to measuring and monitoring service delivery outcomes under decentralised forms of provision, to ensure that participation produces real gains for the poor in terms of improved access and quality of

⁸ Fiszbein (1997: 1031) uses the concepts of production and allocative efficiency as a basis for assessing capacity: 'Capacity for production efficiency is manifested in the presence of a performance-oriented government. It requires that the government have the tools to optimize the use of resources in the production or provision process. Capacity for allocative efficiency is manifested in the presence of a customer-oriented government. It involves the existence and adequate functioning of mechanisms through which the community can voice demands, channels by which authorities can translate these demands into actions and instruments for government accountability.'

services. Failure to do so will undermine the allure of democratic decentralisation and encourage policy alternatives that run counter to the ethos of participation in local governance.

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