



## Book Review

### **Decentralization and Local Governance in Developing Countries: A Comparative Perspective**

Pranab Bardhan and Dilip Mookherjee (eds).  
MIT Press: Cambridge, MA, 2006, 373pp.

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During the past quarter century decentralization of government has been underway in all parts of the world. Renewed interest in decentralization in developing and transition countries was brought about mainly by the spread of market and democratic principles. However, most of the vast literature on decentralization has remained based on the rationale for decentralization in developed countries: inter-regional competition can increase the efficiency of service delivery when production factors are able to move freely. This volume breaks with this tradition in a number of important ways. It recognises that factors are largely not mobile and that locally there are serious weaknesses of administrative capacity and political accountability.

A broader conceptual framework for successful decentralization is needed under these circumstances. To strengthen local governance one must go beyond economic cost–benefit analysis to consider politics, emerging civil society, and the private sector. This broader view of governance provides an important step in tracing the linkages between transferring authority within the government to the sharing of power among key governance institutions. After presenting a conceptual framework for evaluating the diverse decentralization experiences, Bardhan and Mookherjee emphasise that improving public service delivery and reducing poverty depends on the political and economic context as well as on how decentralization is designed and implemented. These conditions are indispensable for decentralization to increase welfare: (i) a functioning local democracy, (ii) adequate fiscal autonomy for local governments, (iii) the absence of intercommunity externalities in service provision, and (iv) technical expertise among local and national government officials. If one of these is missing, which is likely in many developing countries, the outcome of decentralization could easily be worse than that of a corrupt and inefficient central bureaucracy.

The second part of the book therefore deals with the real world of second bests. Eight developing countries are studied: Bolivia, Brazil, China, India, Indonesia, Pakistan, South Africa and Uganda. These studies convincingly



illustrate the various decentralization options and trade-offs and remind the readers that similar policy challenges can be adequately addressed through different approaches.

A framework that defines and compares different aspects of decentralization according to their history, underlying motives, speed, and scope is a key contribution of the book. The different approaches to decentralization are classified as (1) comprehensive and big-bang with political and economic devolution (Bolivia, Indonesia, and post-1994 South Africa), (2) comprehensive political devolution with only partial and uneven economic devolution (Brazil, India), and (3) limited political but significant administrative and economic devolution (China, Pakistan, and Uganda).

Despite these differences, some common features emerged. Responsibilities transferred consisted mainly of administrative functions; transfers of financial responsibilities were rare. Hard budget constraints prevailed at the local level, leading to unfunded mandates and limited macroeconomic impact of the process. But, if properly designed and implemented, decentralization can broaden local political participation and reduce poverty, as it did in Bolivia and South Africa.

In most countries the main reason for decentralization was indeed political – the challenge posed to an incumbent government by competing political forces or regional interests. Decentralization thus constituted either a concession of the central government to regional interests or an instrument for legitimising the existing government and/or for deterring separatist tendencies. On a few occasions, decentralization accompanied transition of the national political system towards either democracy or non-democracy (Brazil, Indonesia, and Uganda). The authors concluded that the speed and scope of decentralization were determined by the relative balance of power between the central and regional governments. In countries with relatively strong regional governments, decentralization tended to be piecemeal and gradual, as each region would choose the nature and extent of *de facto* decentralization independently.

The book leaves several important areas for further research. First, the experience of transition economies of Central and Eastern Europe and the CIS is likely to be highly relevant and could be included in the comparative perspective. One of the reasons is that transition countries exhibit shortcomings of intergovernmental systems similar to those of developing countries, including inadequate local government structures, unclear expenditure assignments, the lack of revenue autonomy, and poorly designed intergovernmental transfer systems. Second, future research could explicitly include globalisation and the related worldwide dissemination of information as an important dimension of context. Finally, the role of the international



organisations and donors in supporting countries' decentralization efforts could be also discussed.

Despite these open issues, this book is an excellent addition to the decentralization literature. It provides an innovative framework and insights, covers a wide range of new issues, and presents findings of various case studies in a clear and informative way.

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