

# Preface

In this book, we will analyze the process of decentralization in India and examine its effectiveness on health and education service delivery. Against the backdrop of theoretical and empirical evidences, the book examines the accountability frameworks of decentralization in public service delivery and arrives at a plausible public expenditure benefit incidence in health and education sectors in India. This book is contextual against the current debates on the significance of 'co-operative federalism' in efficient public service delivery.

The core objective of the book is to widen the debates on decentralization away from the restricted domain of public finance towards the human development impacts of decentralization process. In India, the literature on decentralization revolves around the fiscal issues like intergovernmental transfer mechanisms, tax effort at local level, expenditure assignments at the third tier, etc., and these studies surpassed the effectiveness of the decentralization process on public provisioning of services. The analysis of this book is carried out by distilling the existing studies on the subject as well as the analysis of public finance statistics of India and household survey statistics in understanding the utilization or incidence of the public spending on health and education.

A priori decentralization is neither good nor bad for public service delivery. The success of the process depends upon the institutional mechanisms of decentralization. The political elements of decentralization are equally significant as its 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. This book in its initial chapters (Chapters 1–4) analyzes the economic and political process of decentralization, from a contemporary historical perspective. The 'unfunded mandates' result from the asymmetry in functions, and finance remains a core issue of decentralization. The flexibility of finances at the local level is yet another issue. The intergovernmental transfer mechanism, though not exactly fiscally equalizing, has played a key role in education and health sectors.

Linking 'resources to results' is the core of any accountability framework (Chapters 5–8). Despite the growing recognition of accountability frameworks, the effectiveness of public expenditure through decentralization is hardly analyzed across sectors. Existing works focus more on 'financial inputs' and ignore the outcomes. Our book is an attempt to take the decentralization literature forward to outcomes. We carried out public expenditure Benefit Incidence Analysis (BIA) of education and health (both spatial and intertemporal) to arrive at the effectiveness

of public expenditure at decentralized levels of government. The BIA analysis – the concentration curves of incidence – 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 taken 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. Among the non-price factors, constraints like distance, intra-household behavioural patterns, availability of quality private provisioning at affordable costs and finance determine this behavioural access to public service provisioning. The behaviour of higher income quintiles by ‘voting with feet’ (exit strategy) is not a matter of rejoice as it is non-utilization of ‘voice’ element in the service provisioning of public sector in health and education.

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We have carried out a significant process of revision that is required to turn the technical research report into this book before you. At various points of time, we received diligent research and secretarial assistance from NIPFP. Special thanks are due to Kausik Bhadra and Yadawendra Singh for their research assistance and to Promila Rajawanshi, Kavita Issar, Amita Manhas and Usha Mathur for their secretarial assistance.

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