

Dick-Sagoë, Christopher

Article

Decentralization for improving the provision of public services in developing countries: A critical review

Cogent Economics & Finance

Provided in Cooperation with:

Taylor & Francis Group

Suggested Citation: Dick-Sagoë, Christopher (2020) : Decentralization for improving the provision of public services in developing countries: A critical review, Cogent Economics & Finance, ISSN 2332-2039, Taylor & Francis, Abingdon, Vol. 8, Iss. 1, pp. 1-13, <https://doi.org/10.1080/23322039.2020.1804036>

This Version is available at:

<https://hdl.handle.net/10419/269955>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



<https://creativecommons.org/licenses/by/4.0/>

Decentralization for improving the provision of public services in developing countries: A critical review

Christopher Dick-Sagoe |

To cite this article: Christopher Dick-Sagoe | (2020) Decentralization for improving the provision of public services in developing countries: A critical review, Cogent Economics & Finance, 8:1, 1804036, DOI: [10.1080/23322039.2020.1804036](https://doi.org/10.1080/23322039.2020.1804036)

To link to this article: <https://doi.org/10.1080/23322039.2020.1804036>



© 2020 The Author(s). This open access article is distributed under a Creative Commons Attribution (CC-BY) 4.0 license.



Published online: 10 Aug 2020.



Submit your article to this journal [↗](#)



Article views: 16205



View related articles [↗](#)



View Crossmark data [↗](#)



Citing articles: 8 View citing articles [↗](#)



Received: 26 July 2019
Accepted: 24 July 2020

*Corresponding author: Christopher Dick-Sagoe, Political and Administrative Studies Department, National University of Lesotho, Roma, Lesotho
E-mail: dicksagoe@gmail.com; cd.sagoe@nul.ls

Reviewing editor:
Jorge Miguel Lopo Gonçalves
Andraz, Universidade Do Algarve,
Puerto Rico

Additional information is available at
the end of the article

GENERAL & APPLIED ECONOMICS | RESEARCH ARTICLE

Decentralization for improving the provision of public services in developing countries: A critical review

Christopher Dick-Sagoe^{1*}

Abstract: Decentralisation, which sends power and resources from the Central to local governments, comes with several theoretical promises. One such promise is the improvement in local service provision. However, achieving these theoretical promises of decentralization has been a big challenge in most developing countries. This study aims to address the question “does decentralization improve service delivery levels at the local level, as promised?” This study reviews work on decentralization and service provision in developing countries and bring out some lessons from these works. To do this, the study falls on a set of articles from world-class scholars on decentralisation and service provision and key findings and themes from their works. As has been stressed in the conclusion, decentralisation has made some gains in meeting the real needs of local people in terms of service provision. In some instances, increases in the expenditure of local governments have increased service provision levels. However, the level of quality of these service providers through decentralisation has remained questionable. The author argues that an increase in service provision is good; however, it is the quality of these service provisions at the local level that can reduce poverty at the local level. The study, therefore, recommends for a revisit of the design of decentralisation to embrace the type which seeks to empower the local people to demand transparency and accountability from local government officials. With this, the effectiveness of administrative, fiscal and political decentralisation along with clear channels for local accountability and transparency are necessary for improved and quality service provision.

Subjects: Development Studies; Politics & Development; Regional Development; Rural Development; Urban Development; Economics and Development

ABOUT THE AUTHOR



Christopher Dick-Sagoe

Dr. Christopher Dick-Sagoe lectures in the Department of Political and Administrative Studies of the National University of Lesotho. His extensive research focuses on local government and decentralised service provision for local governments. His academic backgrounds help him to intimately link the academic field of public administration easily with development. His research interests are: local governments, climate change, livelihoods and has published extensively in these areas.

PUBLIC INTEREST STATEMENT

Making government responsive to local needs and efficient in the use of limited resources, optimized in the provision of quality local service which meets the needs of local citizens are the reason for decentralization. However, this dream has been far from reality as studies prove decentralisation to lead to poor service provision, especially in Africa.

Keywords: decentralisation; service provision; local government; local development; Ghana

1. Introduction

Decentralization has received increased global attention in recent times. Decentralisation, which involves the transfer of power from the central government to the local government has three parts. These are fiscal, administrative and political decentralization. Administrative part considers the organizational structure of the local governments, whereas the political dimension considers the politically appointed executives to head the local government. Fiscal dimension focuses on the financial and expenditure arrangements between the local governments and the Central government.

Many developing countries such as Ghana, Lesotho and Nigeria have embarked on donor-funded national reforms aimed at introducing decentralization for the transfer of power from the central government to the local governments. A large body of literature has explained the reasons for such reforms. For example, the classical theorist such as Tiebout and Musgrave provides the following theoretical justifications to support the reason why the national government should decentralize to local governments. These justifications are the proximity of local government to the local people compared to the central government. To them, local governments stand the best position to access first-hand information on the unique needs of the local people. Other writers also justify that local governments stand the best position to identify the economically viable areas of their region for taxation purposes, through proper fiscal decentralisation. By these advantages, local governments will invest their resources in the services which are directly in line with local needs, which gives the people the best utility, technically known as allocative efficiency.

From an economics perspective, these justifications serve to make fiscal decentralisation more efficient under the following points. These are: fiscal decentralisation allows local governments to determine the appropriate levels of service delivery. The provision of public services by different local governments creates competition and such competition created enables the citizens, local people, to select, by moving from one jurisdiction to another to obtain the optimal preference for service delivery and taxes. Furthering the works of Tiebout and Musgrave, Oates in 1995 consider decentralisation as a mechanism that ensures efficiency in the production of services leading to maximum satisfaction.

Empirical findings from many case studies prove that these theoretical gains of decentralization are not achieved on easily, and in some cases when achieved, faces quality challenges (Dick-Sagoe, 2017; Ibeanusi, 2011; Jutting et al., 2005; Doh, 2017; Karachiwalla & Park, 2017; Glewwe & Muralidharan, 2016; Fox et al., 2011; Rodden, 2016). This means that certain conditions must be met at the local level and the decentralized bodies before these gains can be realized. In other words, decentralization is just a vehicle through which improved service delivery can be achieved. This vehicle needs a very good driver, which refers to the design of the decentralization policy itself and the mechanisms to enhance maximum participation, transparency and accountability measures. For example, Ibeanusi (2011) reports of failure of decentralization to improve power balance, accountability to local people and make government more efficient. These failures, which reduces the quality of service provided by local governments, are caused by factors such as political, incentives and the implementation of institutional design of decentralization (Ibeanusi, 2011). Doh in 2017 argues for low staff motivation and competences as the cause of failure in quality service provision for decentralized governments.

As objectives, this paper reviews the decentralization concept, its theoretical underpinnings and the linkage between decentralization and the provision of poverty-reducing public services like education and health. This is important in the sense that this paper will inform policymakers of the linkage between decentralization and service provision at the local level. Again, this paper will seek to improve the limited

understanding between decentralization and service provision within the developing countries' perspective.

The organization of the rest of the paper is given below. It begins with reviews on the practical and theoretical arguments on decentralization and service provision and explains the missing link between decentralization and service provision in developing countries. The link between decentralisation and local service provision using empirical studies was reviewed. It further provides an explanation from empirical studies on decentralization and service provision using health and education as a case and finally concludes the study.

2. Linking decentralisation and improved service delivery: theoretical and practical arguments

This section explains how decentralisation creates efficiency gains in service provision. Decentralisation has an anticipated benefit; thus, it brings decision making closer to the local people and decision-makers. The classical theorists (Tiebout, 1956; Musgrave, 1959), on the benefits of decentralisation, argue that local decision-makers, compared to central authorities, have access to better information on local conditions. This advantage makes them capable of tailoring services and public spending patterns better to local needs and preferences. All things being equal, this point is expected to improve the efficiency and quality of services for local constituents.

Oates (1972) introduces an economic argument which was derived from the heterogeneity of taste and spillovers from the public good. Oates used models to explain that local government can adapt outputs to local tastes. On the other hand, the central government produces a common level of goods for all local areas. More so, sub-national governments being closer to the local people can tune their budgets to meet local preferences, which best reflects their communities' preferences.

Commonly, economists assume decentralisation to lead to a better match between local preferences and outputs of local government. With this in mind, they (economists) rate local provision of services as more efficient, unless this situation is outweighed by spillovers or other efficiencies (such as economies of scale) in central government's provision (Oates, 1972). Tiebout (1956) argues that decentralisation is a vehicle to fulfil highly heterogeneous demand that may arise from different local governments.

Scholars also examine the efficiency argument supporting decentralisation from the perspective of consumers' gains due to allocative efficiency and producers' (e.g. government) gains in technical efficiency in delivering goods and services. Allocative efficiency may arise due to a more fitted bundle (i.e. set and composition) of services provided by the local government to their citizens. In other words, through the adjustment that may take place in the proportions of public spending geared to services such as education, health, water provision or others based on local government's response to local claims in a decentralised context. Higher technical efficiency is achieved when larger quantities and quality of goods and services are provided with the same amount of resources (Dick-Sagoe, 2016; Martinez-Vazquez & Mc Nab, 2003). Overall, devolving some of the centralized responsibilities to local levels has been envisaged, in most decentralisation agenda, as a way to improve both allocative and technical efficiency across different public services.

Several arguments have followed the efficiency gains that can be derived from decentralisation could also be outweighed by other efficiency gains arising from central provisions such as economies of scale and the ability to attract better personnel (De Mello, 2004). This indeed is a valid argument, but other scholars have also argued that those gains arising from central provision may also be overestimated (Oates, 1972; Prud'homme, 1995; Sarmistha & Jaideep, 2010). The possibility to achieve allocative and efficiency gains have important implications for improving public service delivery.

Efficiency gains in service delivery can also be achieved through accountability (Prud'homme, 1995; Treisman, 2002). Central government ministries are not incentivized to perceive beneficiaries of services as their clients (Rondinelli, 1981). Dellinger later in 1994 supported the idea and warned the system which concentrates large proportions of discretion on expenditure by the central government through its ministries to face challenges responding to the demands of their national constituencies. Decentralisation, therefore, provides more channels of communication with the central government.

The paragraphs below will provide explanations on how the various dimensions of decentralisation (viz., fiscal, administrative and political) shape service provision at the sub-national level. McLure in 2002 opines that sufficient fiscal resources and discretion over expenditure responsibilities are essential for any efficient service provision at the local level. McLure further notes that the fiscal resources are of two types. External sources and own sources (locally raised revenues), which can bring greater accountability on sub-national governments. Additionally, the sub-national government should have an adequate level of decision discretion on how to use those revenues to execute their public service functions expected from them (R. M. Bird, 1986; Sacchi & Salotti, 2014a).

The intergovernmental fiscal framework, through which sub-national governments finances local service provision has a four-pillar structure. These are revenue assignments, sub-national borrowing, transfers, and expenditure responsibilities. From this framework, sub-national governments finance their expenditure responsibilities (goods and services provided) through the following channels: first, self-financing using local tax revenues, user charges, or shared revenues with the central government; second, intergovernmental fiscal transfers, either through general-purpose block transfers or earmarked-specific purpose transfers; and third through sub-national borrowing. Within the confines of local service delivery, financing options include public-private partnerships, co-financing or co-production arrangements through which the users participate in providing services and infrastructure through monetary or labour contributions, and other co-participative schemes; all these avenues have also been encouraged by decentralisation processes (Litrack & Seddo, 1998; Saavedra, 2010).

Concerning the use of fiscal resources, there are different discretion levels that central governments establish. They are geared to assure a certain level of spending on specific goods and services provided by sub-national budgets. They depend on a variety of factors such as the local capacity to administer resources, fiscal considerations, national goals, political issues, and institutional constraints. From the fiscal dimension, the central government typically may be able to control spending allocations through strings attached in shared revenues and transfers to local governments (i.e. earmarked transfers or conditional transfers), through sub-national borrowing controls, or through other fiscal means (Arze & Martinez-Vazquez, 2003). The government can also place borrowing controls or even tighten local borrowing to solely raise resources for specific categories of goods and services provided at the local level (World Bank, 2004b). Because of all these (and other) considerations, measuring fiscal decentralisation presents several complexities and limitations when examining it empirically (R. Bird, 2010).

The powers of local officials are outlined in the administrative decentralisation. These local officials are responsible for delivering services in issues such as general management, personnel, service facilities and other administrative discretion in day-to-day operations.

Rondinelli in 1981 classified, administrative decentralisation into three types. These are devolution, de-concentration and delegation. With de-concentration, sub-national governments are given some sectoral responsibilities. However, ministerial branches make all relevant decisions. A typical model is for the central line ministries and agencies to have local representatives that manage services within the sub-national governments but respond hierarchically to their own central office (Rondinelli, 1981). Under this type of administrative decentralisation, local governments typically

cannot hire or fire personnel, do not set salary levels, and cannot change the structure of the network of service facilities in place (i.e. number, size, and type of facilities). Local branches and representatives in charge of services simply manage day-to-day operations on behalf of the central ministry and under its watchful eye. Delegation involves the transfer of implementation functions to sub-national entities that deliver services. Through delegation, the central government transfers responsibility for implementation and administration to local governments, including service facilities not entirely controlled by central ministries, but ultimately accountable to it (Rondinelli, 1981). Delegation scheme is a mix of devolution and de-concentration. The levels of decision-making power vary significantly within that range across countries.

With devolution, administrative decision-making powers are wholly transferred to sub-national authorities. It empowers them with legal decision-making power and the ability to generate and control resources, including the sub-national public sector employees hiring and firing, career management and payment. Moreover, typically it provides local government with the ability to reallocate resources (including staff) across service facilities within their jurisdiction adapting to local circumstances (World Bank, 2004b).

The power given to citizens, through leaders elected by them, is called political decentralisation. Political decentralisation gives citizens political decision-making power. The local level decision reflects the diverse interests in society than those taken at the national level. Thus, it is expected that service delivery policies will be reflective of the diverse interests in society. Political decentralisation strengthens accountability, which is necessary for improved service delivery (World Bank, 2004b). The scenario is that if citizens are empowered to elect their executives or officials, they can re-elect or remove those officials based on their policy decision, through accountability, on services that affect the citizens.

3. Decentralisation and improving service quality in developing countries: why the missing link?

Quality service delivery needs decentralization. However, decentralization, in itself, does not lead to quality service provision. Available evidence indicates a failure of decentralised local governments in public service provision in developing countries (Lewis & Smoke, 2015; Martinez-Vazquez, Lagos-Panas et al., 2015b). Smoke and Lewis (2015) assert the difficulty in achieving the theoretical benefits of decentralization in the areas of socio-economic development improved service provision and accountability in developing countries.

Decentralisation and improved service delivery quality link has been hampered by several factors (World bank, 2013). These factors are keeping proper accounting procedures and capacity to manage public finances are lacking in most sub-national governments, thus negatively affecting service delivery levels. Partial decentralisation and political factors result in misalignment of responsibilities. A typical example of such can be seen from Ghana, for example, where sub-national governments are responsible for education; the central government pays salaries of teachers. Local elites capture has resulted in low public participation in local governance.

Karachiwalla and Park (2017; 2017), Doh (2017) and Glewwe and Muralidharan (2016) argue that quality service provision cannot be achieved if service providers themselves are ignored in the process, through strategies to improve their performance. Aside from motivation for public staff, Doh (2017) considers staff competences (education, skills, and experiences) as another factor contributing to staff performance and thus improved service quality delivery. In the year 2008, Collier's study highlights the scarcity of qualified administrative staff, poor financial and managerial capacity of local governments' staff to account for poor service provision.

Assessing the quality of service provision for local governments in Ghana, Fox et al. (2011), attributes poor service provision to staff capacity, just like Doh (2017), and poor accountability mechanisms as a result of weak institutional structure among the local institutions in charge of local service provision, as the source of poor service provision. Smoke (2015b) identifies accountability to be the major challenge for service provision. On the structure of local government, Fox et al. (2011) observe that the existing structure has loopholes that facilitate improper accountability with the various institutions at the local level, thus affecting quality service provision at the local level. Rodden (2016) introduced the fiscal incentive model to explain the causes of poor service provision for decentralized governments. Rodden, just like Fox et al. (2011) also attacks the structure of local government as the cause of poor service provision. However, Rodden was more emphatic about the structure of the intergovernmental fiscal relations between the local governments and the central government.

In an attempt to measure if decentralization favours the poor, Jutting et al. (2005) develop a comprehensive model to determine quality service provision. To them, the model determines quality service delivery which meets the needs of the poor at the local. Their model considers political factors, administrative factors and fiscal factors. By political factors, they mean factors like political commitment, policy coherence, transparency and commitment to participation. Administrative factors consider central versus local powers, capacity building, and fighting elite capture and corruption. Finally, fiscal powers consider the stability and type of resources. Likewise, the insightful work of Donabedian (1980), though old, provides an easily assimilable starting point for understanding quality in health service provision in the health service. Donabedian outlines three dimensions for assessing quality in service provision in the public sector to include technical dimension (explained as what the service is intended to do?), non-technical dimension (socio-psychological interaction between the service provider and receiver), and the environment in which the service operates. All these provision models (by Jutting et al., 2005; Donabedian, 1980) provide the basis for classifying the available and disorganized factors identified by other researchers, which have been discussed above.

This section has proved that the mere provision of decentralized service provision does not guarantee the provision of quality service at the local level. Decentralized service provision is as good as making service available and accessible to local people. However, improving access does not mean that the service provided will be quality until the factors outlined here are met.

4. Decentralisation and service provision nexus: evidence from the literature

Emphatically, Akpan (2011) observes that decentralisation and service provision has received little research attention. This section of the study provides literature from relevant studies linking decentralisation and service provision from old and current works (Table 1).

People have questioned higher public spending on the specific sector following citizens' demand. They further claim that such higher expenditure which emanates from the desires of the citizens does not necessarily lead to improved outcomes (Ablo & Reinikka, 1998; Pritchett, 1996). For instance, in Cote d'Ivoire and Haiti, per capita health spending fell to below five dollars from the 1980s through the 1990s but with a different result in each of these countries: infant mortality rates worsened severely in the African country and improved in Haiti (World Bank, 2004b).

From an African perspective, this study has presented the works of Elhiraika (2007) in South Africa, Oriakhi (2006) in Nigeria, Akpan (2011) in Nigeria, Dick-Sagoe (2017) in Ghana and Aramov and Asante (2009) in Ghana. Details and research findings have been presented in Table 1.

Table 1. Decentralisation and service provision nexus

Reference	Contributions	Methodology	Objectives	Findings
World Bank (1995)	Positive result Presented an empirical insight into the allocative efficiency argument using local governments in Colombia	Survey and expenditure data of 16 municipalities in Colombia	To examine the match between service provision by government (local and central) and local preferences	*Respondents trusted elected local governments executives on provision of service The allocation of resources by local governments were more consistent with community preferences
Faguet (2000) Fiscal decentralisation in Bolivia	Interested in the influence of fiscal decentralisation reforms on the expenditure patterns at the local level	Survey and expenditure data	To assess the influence of fiscal decentralisation reforms on the expenditure patterns at the local level	*Fiscal decentralisation reform changed the spending patterns in favour of water and sanitation, education, water management, urban development and agriculture Faguet's study found that these changes are strongly positively related to real local needs, supporting the argument of allocative efficiency with decentralized service provision
Robalino et al. (2002)		Panel study: Low and high income countries were used for the panel study falling on the socio-economic indicators such as Gross Domestic Product per capita and infant mortality rate The authors measured fiscal decentralisation using the share of public expenditures managed by sub-national government	To investigate the linkages between fiscal decentralisation and health outcomes	*The result of their study proves a positive relationship between health outcomes and fiscal decentralisation, meaning increases in fiscal decentralisation matched higher outcomes for health, thus low infant mortality rates
Elhiraika (2007)	Greater fiscal autonomy for local government is key for improved service delivery.	Uses cross-sectional data of nine provinces in South Africa to investigate the relationship between fiscal decentralisation (intergovernmental transfers and own-source revenue) and public service delivery Health and education equations were estimated using random and fixed effects procedures	To investigate the relationship between fiscal decentralisation and public service delivery	*Own-source revenue demonstrated a negative and significant impact on the demand for health than for other public services.

(Continued)

Table 1. (Continued)

Reference	Contributions Positive result	Methodology	Objectives	Findings
Akpan (2011)	Akpan concludes that more efficient and equitable provision of public services increases willingness to pay tax. Thus, the importance of fiscal decentralisation influences economic growth through service provision	Akpan uses empirical study to test these arguments. The choice was based on availability of data on relevant data from 2002 to 2009 for 36 states in Nigeria. Data are drawn from World Development Indicators (WDI) CD-ROM 2009 and annual publications of the National Bureau of Statistics (Nigeria) 2009. From a panel data 36 states and 296 observations were used.	To observe the relationship between decentralisation and service delivery outcomes	*Decentralisation allows better matching of public policies to local needs These are: Higher fiscal decentralisation matches lower infant mortality rate and higher literacy rate. The Internally generated revenue enhances literacy rates and reduces infant mortality.
Dick-Sagoe (2017)	Dick-Sagoe looks into decentralised service provision, health and education, in reducing poverty in the Central Region of Ghana; which is one of the leading poverty regions in Ghana. Recommends an intensive local provision to further improve service outcomes.	A panel study of health and education outcomes, measured at the local level over a period of 10 years, for all the 20 Metropolitan, Municipal and District Assemblies (MMDAs) in the Central Region were used. Additionally, amounts spent (expenditure) on the provision of these services by the local governments, over a period of 10 years, were also used. Correlation and multiple regression analyses were employed to analyse the panel data to test the public choice theories on service provision and its impact on poverty reduction, at an alpha of 5 percent.	With the main objective of measuring the impact of service provision (in terms of expenditure) on service outcomes (with particular reference to education and health) and assessing the impact of service provision on poverty levels in the region	*Services provision has improved levels of poverty and more expenditure on service provision improves service outcomes at the local level; however, the corresponding increase in service delivery improvement was low.
Aramov and Asante (2009)	The authors were interested in the access to public service disparities among decentralised districts in Ghana	Using district and household level data	To identify the disparities in access to local public service among the District Assemblies in Ghana	*They conclude the causes of the inequalities in access to public service provision to respondents' characteristics (such as education and ethnicity) and location of the district (geography). Thus determinants of service delivery are ethnicity and geography.

(Continued)

Table 1. (Continued)

Reference	Contributions	Methodology	Objectives	Findings
	Positive result			
	Negative result			
Oriakhi (2006) conducts a study in Nigeria	Recommends aligning of expenditure to community-based projects and community empowerment to hold sub-national government to account for expenditure and revenue.	Uses descriptive studies on mainly health and education indicators	To observe how fiscal decentralisation contributes to efficient service delivery	**He attributes his observation of poor service provision to mismatch between expenditure and revenue assignment and uneven vertical allocation formula, favouring federal government. The rest according to him were ineffective monitoring of public expenditures.
Kaufmann et al. (2002)		Survey of local agencies	To assess the effects of decentralisation on access to public services	**Their study found that both local and central service providers in Bolivia fell short in delivering an adequate quantity and quality of services, but local agencies were more successful in accessibility to citizens, particularly for the poorer brackets of population segments.
Arze and Martinez-Vazquez (2003)	Improvements in allocative efficiency may be taking place as a result of further fiscal decentralisation	Review of literature	To observe if further fiscal decentralisation results in improvements in allocative efficiency	**Higher fiscal decentralisation results in changes in expenditure composition. Developing countries, on average, spent a smaller share of their budgets in these sectors and have poorer education and health outputs and outcomes
Sow and Razafimahafa (2015)	Fiscal decentralization can worsen the efficiency of public service delivery if sufficient expenditure decentralisation is not backed with sufficient revenue decentralisation.	The study uses a stochastic frontier method to estimate time-varying efficiency coefficients and analyzes the impact of fiscal decentralization on those efficiency coefficients	To assess the impact of fiscal decentralization on the efficiency of public service delivery	**Fiscal decentralization can improve the efficiency of public service delivery but only under specific conditions (adequate political and institutional environments, sufficient degree of expenditure decentralization seems necessary to obtain favorable outcomes and decentralization of expenditure needs to be accompanied by sufficient decentralization of revenue)

Source: Author's construct based on literature, 2019.

*Decentralisation has improved service delivery.

**Decentralisation has not improved service delivery.

5. Understanding the nexus between decentralisation and education

The theoretical basis of decentralisation is allocative and productive efficiency. These are critical for the efficiency and sustainability of service provision. It also creates equity in economic resource management. Decentralisation is expected to improve accountability, responsiveness, transparency and efficiency in local service provision. Thus with allocative efficiency, decentralizing education will fuse the needs and preferences of the local people within the educational system. This will eventually encourage participation; improve coverage and quality of education. Potentials of increased efficiency through decentralisation have attracted several questions, mainly due to a lack of consensus on literature. The reason is that community financing schemes (beneficiary cost recovery) provide the opportunity for such governments (mostly those facing several fiscal constraints) to off-load some of the fiscal burdens of education provision to the citizens (World Bank, 2001b).

Decentralisation of education by level (tertiary, secondary and primary) and non-formal education has always resulted in deep debate. Devolving decision making and by how much by educational level and to whom continues to be debated.

To Akpan (2011), several experiments are globally ongoing, ranging from devolution of limited functions to sub-national governments (local governments to community-based management, regional/state governments and schools' financing). Recent consensus reached puts the central government in charge of standards-setting and curriculum design, together with tertiary education. Devolution then should be for secondary and primary education. Local participation in school management improves responsiveness, accountability and fosters resource mobilization (Akpan, 2011).

6. Understanding the nexus between decentralisation and health care

The argument here is about improving service quality and service coverage. However, how these benefits can be realized is not known. Another unknown is the exact impact of different health systems (Akpan, 2011). Decentralising health care comes with the following benefits. Theoretically, these are improved implementation of health programmes, reduction in duplication of health services at the target communities and the greater community financing. The rest is greater community involvement, inequality between rural and urban areas is reduced, and local preferences are factored in rationalizing and unifying health services. Lastly, health programmes implementation is improved, cost containment from moving to streamlined, targeted programs, greater integration of activities from private and public agencies, and finally improved inter-sectoral coordination, particularly in rural development and local government activities (Faguet & Sanchez, 2009).

There is a need to intensify research to confirm the achievements of these theoretical health benefits. Little studies are available on the impact of health decentralisation on the services it delivers. Schwartz et al. (2002) state that the presence of anecdotal evidence which points poor and hastily implemented and designed decentralisation affects health delivery negatively. To Jiménez and Smith (2005), there is no analytical framework to isolate or generalize the factors behind (un)successful decentralisation.

7. Conclusion and policy recommendations

Improved service provision, which is responsive to local needs, is one of the prime concerns of decentralisation. Decentralised provision of services, through local governments, have been accepted globally due to its theoretical promises of allocative and productive efficiencies. Decentralisation is to enhance the participation of local people in governance. It is also to promote more accountability and transparency in service provision at the local level. A recent trend in research proves decentralised service provision in developing countries have achieved mixed result, as some areas have achieved success and others fail to benefit the citizens.

This study has delved into decentralization and its effects on service provision, focusing on empirical reviews. The study reveals that the linkage between decentralisation and service provision is not a straightforward thing. Though studies have generally agreed on allocative efficiency and increases in expenditure on local services increasing service provision levels. Two main questions remain unanswered. These are: does the increase in expenditure on service provision results in a corresponding increase in service provision levels? The second question is: has decentralisation improved service delivery quality at the local level? Sow and Razafimahefa (2015), in their study, observe that increases in expenditure decentralisation should be supported by increases in revenue decentralisation, without which worse results will follow service provision at the local level. Dick-Sagoe (2017) observes that increases in revenues allocated for the provision of services did not result in a corresponding increase in service delivery outcomes for basic education services in the Central Region of Ghana.

The two findings here (Sow & Razafimahefa, 2015; Dick-Sagoe, 2017) agree that increasing expenditures devoted to service delivery is important for attaining positive result in service delivery; however, that does not necessarily result in a corresponding increase in service quality, measured in terms of service delivery outcomes. This means it takes certain institutional environment, in which Sow and Razafimahefa (2015), Smoke (2015b), and Dick-Sagoe (2017) both identify a strong capacity at the local level, strong accountability at various levels of institutions, good governance and effective the autonomy of local governments to make decentralisation more efficient in achieving quality service delivery, though increasing revenue decentralisation plays a major role. Improving the output of local service delivery is not just enough; however, the quality of the local service delivery counts a lot. A critical look at the literature reviewed in this paper hardly comments on the improvement in the quality of service provision as a result of decentralization. The question now remains, how decentralisation can improve the quality of local service provision at the local level?

This implies several conditions should be met first before decentralisation can fully result in improved quality of service provision at the local level. In the argument of Rodden (2016) and Oriakhi (2006), the design of local government contributes a lot towards the success of decentralisation, being its service provision at the local level. Jutting et al. (2005) provide other important supporting factors to ensure quality service provision at the local level. A design that seeks to limit the active participation and empowerment of the local people, who are supposed to be the beneficiaries of local service provision, results in the provision of poor service provision at the local level. Further, any design which seeks to position the local people to be unable to grip local government officials accountable for policy outcomes and budgetary allocations results in poor public service provision.

As a policy recommendation, the paper presents the following points. For the proper design of decentralisation, the following errors should be corrected. The first is a mismatch between expenditure and revenue assignment and uneven vertical allocation formula, favouring the central government. The second is ineffective monitoring and transparency of public expenditures by the local people. It is, therefore, recommended to align expenditure to community-based projects and community empowerment to hold the sub-national government to account for expenditure and revenue.

Funding

The authors received no direct funding for this research.

Author details

Christopher Dick-Sagoe¹

E-mail: dicksagoe@gmail.com

ORCID ID: <http://orcid.org/0000-0001-5295-252X>

¹ Political and Administrative Studies Department,
National University of Lesotho, Roma, Lesotho.

Public statement

Decentralisation has been practiced to improve pro-poor service delivery quality at the local level. The aim of this study is to address the question “does decentralization actually improve service delivery levels at the local level, as promised?” This serves the purpose for the conduct of this study.

Decentralisation improves access to service delivery; however, quality of service delivery remained a challenge due to factors like low funding, less accountability and less participation.

Citation information

Cite this article as: Decentralization for improving the provision of public services in developing countries: A critical review, Christopher Dick-Sagoe, *Cogent Economics & Finance* (2020), 8: 1804036.

References

- Ablo, E., & Reinikka, R. (1998). Do budgets really matter? Evidence from public spending on education and health in Uganda. *Policy Research Working Paper 1926*. Development Research Group, World Bank.
- Akpan, E. O. (2011). Fiscal decentralisation and social outcomes in Nigeria. *European Journal of Business and Management*, 3(4), 1-18. <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.1013.7794&rep=rep1&type=pdf>
- Aramov, T. K., & Asante, F. (2009). Decentralization and local public services in Ghana: Do geography and ethnic diversity matter? *IFPRI Discussion Paper 00872*. IFPRI.
- Arze, F. J., & Martinez-Vazquez, J. (2003). Descentralización en Latinoamérica desde una perspectiva de países pequeños: Bolivia, El Salvador, Ecuador y Nicaragua. *Working Paper*. p. 3. Andrew Young School of Policy Studies.
- Bird, R. (2010). Subnational taxation in developing countries: A review of the literature. *Journal of International Commerce, Economics and Policy*, 2(1), 139-161. <https://doi.org/10.1142/S1793993311000269>
- Bird, R. M. (1986). Fiscal federalism. In J. J. Cordes, R. G. Ebel, & J. G. Gravelle (Eds.), *The encyclopedia of taxation and tax policy* (pp. 151-154). The Urban Institute Press.
- De Mello, L. (2004). Can fiscal decentralization strengthen social capital? *Public Finance Review*, 32(1), 4-35. <https://doi.org/10.1177/1091142103260699>
- Dick-Sagoe, C. (2016). Does decentralisation address allocative efficiency at the local level? Evidence from Jomoro District Assembly in Ghana. In P. P. balan, G. Sunny, & T. P. Kunhikaman (Eds.), *Marginalisation and deprivation: Studies in multiple vulnerabilities*. KILA's International Conference Series- 5 (International conference on MARGINALISATION, POVERTY AND DECENTRALISATION (pp. 37-49). Kerela Insitute of Local Administration. <http://dSPACE.kila.ac.in:8080/jspui/bitstream/123456789/276/1/Marginalisation%20and%20Deprivation%20Studies%20in%20Multiple%20Vulnerabilities.pdf#page=37>
- Dick-Sagoe, C. (2017). *Reducing poverty through decentralised public service provision of district assemblies in the Central Region, Ghana*. A paper presented at the 7th African Union and Renaissance Conference, South Africa 2017, 31st March to 1st April, 2017, Pretoria, South Africa.
- Doh, D. (2017). Staff quality and service delivery: Evaluating two Ghanaian district assemblies. *IDS Bulletin*, 48(2), 71-90. <https://doi.org/10.19088/1968-2017.117>
- Donabedian, A. (1980). *Explorations in quality assessment and monitoring* (Vol. 1). Health Administration Press.
- Elhiraika, A. B. (2007). *Fiscal decentralization and public service delivery in South Africa*. ATPC Work in Progress No. 58. A paper was presented at a workshop on "Public expenditure and service delivery in Africa: Managing public expenditure to improve service quality and access" organized by ECA from 11-13 October 2006, Lusaka, Zambia.
- Faguet, J. P. (2000). Decentralisation and local government performance: Improving local service provision in Bolivia. *Revista De Economia Del Rosario*, 3(1), 127-176. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=928531
- Faguet, J.-P., & Sanchez, F. (2009). *Decentralization and access to social services in Columbia*. CEDE, Facultad de Economía, Universidad de Los Andes.
- Fox, L., Hoffman, B., Anyimadu, A., & Keshishian, M. (2011). (Ghana democracy and governance assessment report). USAID.
- Glewwe, P., & Muralidharan, K. (2016). Improving education outcomes in developing countries: Evidence, knowledge gaps and policy implications. In Stephen, M., Ludger, W., Eric, A. H., (Eds.), *handbook of economics of education* (Vol. 5, pp. 653-743). Elsevier.
- Ibeanusi, N. (2011). Decentralisation examined: Conditions dependent path towards success. *Cornell International Affairs Review*, 4(2), 1-2. PG ½. <http://www.inquiriesjournal.com/articles/1233/2/decentralization-examined-conditions-dependent-path-towards-success>
- Jiménez-Rubio, D., & Smith, P. (2005). Decentralisation of Health and its Impact on Health Outcomes. Discussion Papers in Economics, the University of York.
- Jutting, J., Corsi, E., Kauffmann, C., McDonnell, I., Osterrieder, H., Pinaud, N., & Wegner, L. (2005). What makes decentralisation in developing countries prof-poor? *European Journal of Development Research*, 17(4), 626-648. <https://doi.org/10.1080/09578810500367649>
- Karachiwalla, N., & Park, A. (2017). Promotion and incentives in the public sector: Evidence from Chinese Schools. *Journal of Public Economics*, 146, 109-128. <https://doi.org/10.1016/j.jpubeco.2016.12.004>
- Karachiwalla, N., & Park, A. (2017). *Promotion incentives for public servants and improved service delivery*. Retrieved January 10, 2020, from <https://voxddev.org/topic/public-economics/promotion-incentives-public-servants-and-improved-service-delivery>
- Kaufmann, D., Mehrez, G., & Gurgur, T. (2002). *Voice or public sector management: An empirical investigation of determinants of public sector performance*. The World Bank.
- Lewis, B. D., & Smoke, P. (2015). Intergovernmental Fiscal transfers and local incentives and responses: The case of Indonesia. *Fiscal Studies*. Accepted Article, 38(1), 111-139. <https://doi.org/10.1111/1475-5890.12080>
- Litrack, J., & Seddo, J. (1998). Decentralization briefing notes. *WBI Working Papers*. World Bank Institute.
- Martinez-Vazquez, J., Lagos-Panas, S., & Sacchi, A. (2015b). The impact of fiscal decentralization: A survey. GEN- governance and economic research network. *GEN Working Paper A 2015-5*.
- Martinez-Vazquez, J., & Mc Nab, R. (2003). Fiscal decentralization and economic growth. *World Development*, 31(9), 1597-1616. [https://doi.org/10.1016/S0305-750X\(03\)00109-8](https://doi.org/10.1016/S0305-750X(03)00109-8)
- Musgrave, R. (1959). *The theory of public finance*. Mc Graw Hill.
- Oates, W. E. (1972). *Fiscal federalism*. Harcourt Brace Jovanovich.
- Oriakhi, D. E. (2006, October 9-11). *Fiscal decentralization, public expenditure and efficient service delivery: An assessment of the performance of sub-national levels of government in Nigeria*. Paper presented at a workshop on public expenditure and service delivery in Africa, Lusaka Zambia.
- Pritchett, L. (1996). Mind your P's and Q's: The cost of public investment is not the value of public capital. *Policy Research Working Paper 1660*. Development Research Group, World Bank.
- Prud'homme, R. (1995). The dangers of decentralisation. *The World Bank Research Observer*, 10(2), 201-220. <https://doi.org/10.1093/wbro/10.2.201>
- Robalino, D., Picazo, O. F., & Voetberg, A. (2002). Does Fiscal decentralization improve health outcomes? Evidence from cross-country analysis. *Policy Research Working Paper 2565*. World Bank.

- Rodden, J. (2016). Decentralized rule and revenue. A Paper Prepared for Paper. USAID.
- Rondinelli, D. A. (1981). *Government decentralization in comparative perspective: Theory and practice in developing countries*. International Review for Administrative Sciences.
- Saavedra, P. A. (2010). *A study of the impact of decentralization on access to service delivery* [Dissertation]. Georgia State University. Retrieved September 12, 2016, from http://scholarworks.gsu.edu/pmap_diss/40
- Sacchi, A., & Salotti, S. (2014a). A comprehensive analysis of expenditure decentralization and of the composition of local public spending. *Regional Studies*, 50(1), 93-109. <https://doi.org/10.1080/00343404.2014.893387>
- Sarmistha, P., & Jaideep, R. (2010). Fiscal decentralization and development: How crucial is local politics? *IZA Discussion Paper series No. 5286*. Forschungsinstitut zur Zukunft der Arbeit Institute for the Study of Labor.
- Schwartz, B. J., Guilkey, D. K., & Racelis, R. (2002). Decentralization, allocative efficiency and health service outcomes in the Philippines. *Working Paper Series*. USAID.
- Smoke, P. (2015b). *Accountability and service delivery in decentralising environments: Understanding context and strategically advancing reform*. A governance practitioner's notebook: Alternative ideas and approaches. Prepared for the OECD. <https://www.oecd.org/dac/accountable-effective-institutions/Governance%20Notebook%202.6%20Smoke.pdf>
- Sow, M., & Razafimahefa, I. F. (2015). Fiscal decentralization and the efficiency of public service delivery international monetary fund. *WP/15/59 IMF Working Paper Fiscal Affairs*.
- Tiebout, C. M. (1956). A pure theory of local expenditures. *The Journal of Political Economy*, 64(5), 416-424. Chicago. <https://doi.org/10.1086/257839>
- Treisman, D. (2002). Decentralization and the quality of government. <http://www.sscnet.ucla.edu/polisci/faculty/treisman/Papers/DecandGovt.pdf>
- World bank. (2013). *Decentralisation*. World Bank. Retrieved January 10, 2020, from <https://www.worldbank.org/en/topic/communitydrivendevlopment/brief/Decentralization>
- World Bank. (1995). *Local government capacity in Columbia: Beyond technical assistance*.
- World Bank. (2001b). *Decentralization and governance: Does decentralization improve public service delivery? Working Paper Series*.
- World Bank. (2004b). (World development report, 2004: Making service work for poor people). Oxford University Press.



© 2020 The Author(s). This open access article is distributed under a Creative Commons Attribution (CC-BY) 4.0 license.

You are free to:

Share — copy and redistribute the material in any medium or format.

Adapt — remix, transform, and build upon the material for any purpose, even commercially.

The licensor cannot revoke these freedoms as long as you follow the license terms.

Under the following terms:

Attribution — You must give appropriate credit, provide a link to the license, and indicate if changes were made.

You may do so in any reasonable manner, but not in any way that suggests the licensor endorses you or your use.

No additional restrictions

You may not apply legal terms or technological measures that legally restrict others from doing anything the license permits.



Cogent Economics & Finance (ISSN:) is published by Cogent OA, part of Taylor & Francis Group.

Publishing with Cogent OA ensures:

- Immediate, universal access to your article on publication
- High visibility and discoverability via the Cogent OA website as well as Taylor & Francis Online
- Download and citation statistics for your article
- Rapid online publication
- Input from, and dialog with, expert editors and editorial boards
- Retention of full copyright of your article
- Guaranteed legacy preservation of your article
- Discounts and waivers for authors in developing regions

Submit your manuscript to a Cogent OA journal at www.CogentOA.com

