Book Review: Is Decentralization Good for Development? Perspectives from Academics and Policy Makers edited by Jean-Paul Faguet and Caroline Pöschl

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In **Decentralization Good for Development? Perspectives from Academics and Policy Makers,** *editors* **Jean-Paul Faguet** *and* **Caroline Pöschl** *offer an exhaustive account of the positive and negative outcomes of decentralisation policies with insights drawn from both academics and practitioners who have implemented reform in government and international organisations. This dual approach does not offer one clear-cut answer or academic consensus on the relationship between decentralisation and development; rather, the book is a comprehensive and useful toolkit for those analysing the varied facets of this complex phenomenon, writes* **Florian Bon***.*

***Is Decentralization Good for Development? Perspectives from Academics and Policy Makers*. Jean-Paul Faguet and Caroline Pöschl (eds). Oxford University Press. 2015.**

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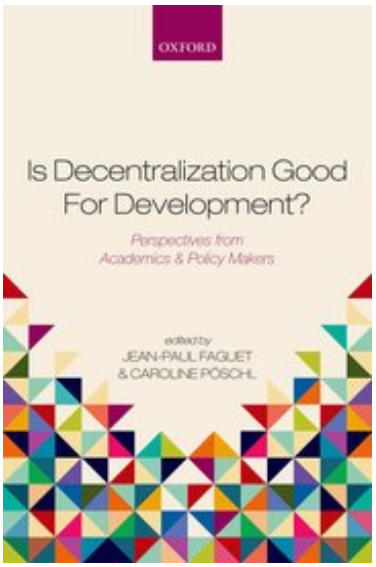

Ever since Cleisthenes's Athenian reforms in the sixth century BC, decentralisation has been on the agenda of policy makers worldwide. In France, historians credit Cistercian monks with having led the first clear attempt at opening up French territory through brush clearing in the eleventh century AD. The extent to which decentralisation has been carried out, however, varies greatly across countries and its historical sedimentation is kaleidoscopic. The legacy of decentralisation attempts remains an ongoing debate, and many scholars have recently denounced the end of 'territorial Keynesianism', most notably Enrico Moretti in *The New Geography of Jobs* and Laurent Davezies in *Le nouvel egoïsme territorial*. Of late, the concept of decentralisation has mounted a comeback with the rise of so-called distributed energy and decentralised industrial manufacturing as part of the fourth industrial revolution. This represents a paradigm shift from 'centralised' to 'decentralised' production, made possible by technological advances that constitute a reversal of conventional production process logic.

In *Is Decentralization Good For Development? Perspectives from Academics and Policy Makers*, Jean-Paul Faguet and Caroline Pöschl offer an exhaustive account of the pros and cons of decentralisation policies with insights from both academics and practitioners. This dual approach proves particularly useful in analysing such a complex phenomenon. There is not one continent, region or nation in the world that does not have to cope with the geographic over-concentration of human activities. As of today, Buenos Aires still gathers 35 per cent of the population of Argentina; Lima accounts for 30 per cent of Peru's; and Tokyo 28 per cent of Japan's. A recent report from Bank of America has further underlined that London accounts for 26 per cent of all English housing sales despite accounting for just a fraction (1 per cent) of the total land area. As a consequence, the clustering of economic activities and the prevalence of centripetal forces are progressively seen as global concerns, while territorial separatism has also hit the headlines over the last decade in places such as Cataluña in Spain and Xinjiang in China.

Is Decentralization Good For Development? is nonetheless a peculiar book to review: it should be considered more as the concise output of the collective thinking undertaken by researchers and policy makers within the Columbia University Initiative for Policy Dialogue's Decentralization Task Force, rather than as a narrative that progressively unfolds. Drawing from empirical evidence and insights gathered from Pakistan to West Bengal, India, Pöschl and

Faguet point out that decentralisation, provided that it is carefully designed for a country's specific needs, amenities and particularities, can enhance government accountability, reduce nepotism and rent-seeking behaviours and improve the overall cohesion of civil society through social learning.

Image Credit: (Jakub Martyński)

Throughout the thirteen chapters, the authors delve into the various possible outcomes of decentralisation programmes on fiscal policy, local investment, resource allocation between communities or ethnic groups, economic incentives and motivational tools for public service provision. The result is an interesting mix of interviews carried out by the researchers with leading policy makers and econometrically-tested academic studies.

In a fascinating chapter, Gonzalo Sánchez de Lozada, former president of Bolivia, gives a detailed explanation of the reasons that led him to enact the *ley de participacion popular* in 1994, which radically modified the centralised, top-down rule that prevailed in the country. In the 1990s, local decisions regarding budget allocation, investment procedures and fiscal policy in poverty-trapped Bolivia were mainly made by the central government in La Paz. Through the 1994 Law, resources began to be allocated from 'unsystematic, highly political criteria to a strict per capita basis'; local assets and facilities ownership were transferred to municipalities aiming at dramatically improving public services provision and maintenance. *Comites de Vigilancia* were set up to oversee municipal activities. The Bolivian reform proved particularly efficient as Faguet demonstrates. It led to a more equitable allocation of resources across the country and public investment began to be concentrated where it was most needed.

One could, however, feel puzzled when putting *Is Decentralization Good for Development?* back on the shelf as no crystal clear answer or ready-to-use policy recommendation emerges from it. After exposing the theoretical grounds for decentralising, the authors devote much effort to shedding light on its positive effects as well as its shortcomings, leaving readers sometimes at a loss. For example, decentralisation for Latin America 'led to a sharp deterioration of fiscal deficits via an explosion of subnational expenditure', while it encouraged higher levels of political participation through *gram panchayats* schemes in West Bengal and increased municipal services effectiveness in the Chinese city of Xining, where the number of volunteers for the Hygienic City campaign skyrocketed. As no academic consensus seems to be found on the efficiency of decentralisation, a reader looking for ready-made answers might be thus quite disappointed.

If no clear academic consensus emerges, this book still provides valuable food for thought. Firstly, the authors insist throughout the text that one of the key lessons to be learned is that the benefits of decentralisation 'are achievable but never guaranteed'. It is mainly a matter of policy design and calibration that needs to be regularly reassessed. Secondly, they argue that decentralisation matters a great deal as scale effects are non-linear (also known as Geoffrey West's law). Centralised government requires 'disproportionately greater resources and levels of organization for effective engagement than does local government'. Decentralisation therefore allows governments to do more with less. Thirdly, in a democracy-threatening political context, with the rise of populist movements and declining voter turnout and trust, decentralisation might be an interesting solution for reviving citizens' democratic appetites.

Around the world, decentralisation experiences and initiatives are springing up. The much-acclaimed French documentary *Demain* (*Tomorrow*, 2015) features various examples of horizontal activism, such as participative democracy attempts in the Kuttambakkan village in India, local currency pools in Bristol, United Kingdom and local production circuits in Normandy, France. The US premiere of the film was recently held in the UN headquarters in the presence of Ban Ki-moon's adviser on sustainable development, David Nabarro. It is quite likely that decentralisation will remain a core aspect of global policy. By reading this book, policy makers around the world might find a useful toolkit, though not the perfect ready-to-use recipe.

Florian Bon graduated from a top French business-school – ESCP Europe – with a specialisation in Finance and is currently completing a Masters in International Economic Policy at SciencesPo Paris, while serving as an intern in the French High Council of Public Finance, an institutional body scrutinising the macroeconomic forecasts of the government and the trajectory of its public finances. Read more reviews by Florian Bon.

Note: This review gives the views of the author, and not the position of the LSE Review of Books blog, or of the London School of Economics.