

Comment

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Professor Jean-Philippe Platteau has prepared a challenging and interesting paper for the AFD/EUDN conference (Platteau, 2003). Written in his particular style where empirical observations from all over the developing world and theory are blended in an intricate manner, it takes a micro-perspective on the question of how to improve the effectiveness of foreign aid. This is a welcome approach. After all, poverty is in large measure a micro-economic phenomenon,¹ even if this fact was often overlooked in the macro-inspired aid debate among academics and development practitioners during the past decade or so. On this background, we fully endorse the general approach taken by Platteau in his attempt at pushing the research agenda forward.

The key argument of Platteau's paper is that disappointment with centralized, top-down, state-led development efforts should not lead to a rush to the opposite extreme. It may well be true that local actors possess information advantages, which can help reduce poverty, provided they can be mobilized through decentralization in an incentive compatible manner. However, Platteau obviously agrees with Pranab Bardhan,² who has recently argued that the idea

1. See Ravallion (2001) for an excellent account.

2. See Bardhan (2002, p. 187). While different in focus, Platteau's contribution to this conference is in many ways similar in spirit to the article by Bardhan, and the two papers supplement each other in an excellent manner.

of decentralization may need some protection against its own enthusiasts. Bardhan refers here both to free market advocates, who see decentralization as an opportunity to cripple the state, and to so-called anarcho-communitarians, who ignore community failures. They may, as Bardhan asserts, be as serious as the market failures or government failures that economists commonly analyze. The community failure, on which Platteau puts focus in his paper, is the risk of elite capture, or resource misappropriation by local leaders, including in particular local NGOs. He argues from beginning to end that there is a trade-off between local informational advantages and the risk of elite capture. The empirical frequency or economic importance of elite capture as defined by Platteau is not studied in the paper. Instead, illuminating case stories are provided, and reference is also made to the finding by Reinikka and Svensson (2001) that only a limited share of public educational funds found their way to the local level. One is clearly left with the suggestion that much was siphoned off on the way, and Platteau asserts:

It is ultimately because they overlook the genuine nature of the link between elites and commoners, rulers and ruled in Africa that international donor agencies overestimate the capacity of the participatory approach to deliver development gains more effectively and equitably.

Two influential development researchers, i.e. Bardhan and Platteau, have sent a warning signal to the aid and development community, which has in recent times been in a rage to decentralize and promote community-driven development at an impressive speed involving considerable financial resources. It is pertinent to pay attention to this in the quest to improve the effectiveness of foreign aid, and Platteau deserves credit for pointing to a series of

complex conflicts of interests which are often either not understood or simply ignored in the aid process. His paper certainly provides a good general analysis of capture by local elites, particularly for the case where the local community receives aid through a local NGO.

It is also fair to note that the Platteau paper is not an easy one to digest. It contains an exiting — but overwhelming and not altogether transparent — mix of empirical observations, theoretical arguments, and conclusions. So, the strength of Platteau's paper is also its weakness. It touches upon many aspects of decentralization, but remains somewhat on the surface. It focuses on one particular type of decentralization in a specific setting, and it is not entirely clear whether this is indeed the most relevant case from the perspective of increasing the effectiveness of foreign aid. Many other dimensions of decentralization, including in particular the role of local government, are somehow neglected, or their importance is minimized by not integrating them into the analysis.

This note is structured as follows : Section 1 outlines our point of departure as far as the aid effectiveness literature is concerned. Section 2 puts decentralization and service delivery mechanisms into a broader institutional and empirical context. This is done to help situate Platteau's work, since he focuses squarely on one particular type of decentralization. Section 3 discusses theoretical aspects in more direct terms, while Section 4 concludes.

1. Aid Effectiveness and Growth

The effectiveness of foreign aid has been an area of controversy ever since development economics appeared as a separate sub-discipline of economics after the Second World War. During what

is sometimes referred to as the golden years of the 1960s and 1970s,³ foreign aid was in large measure channeled to developing countries in the form of project aid, often with well defined investment objectives in mind. Micro-economic cost-benefit analysis (CBA) had an important role to play in the evaluation process, and many projects got good to excellent grades. Optimism about the potential impact of aid in promoting growth and reducing poverty was characteristic. However, this period came to an abrupt end after the second oil crisis in 1978-80. It soon became evident that the downturn was of a more permanent nature, not temporary as in 1973; it was also gradually recognized that the development strategies of the previous decades were no longer sustainable.

Adjustments were needed in economic policies. Achieving macro-economic balance (externally and internally) appeared as an essential pre-requisite for renewed development; macroeconomic stabilization and adjustment also became important, and, in much of the rhetoric of the day, nearly synonymous with economic transformation and development. Reliance on market forces, outward orientation, and the role of the private sector — including international and national NGOs — were emphasized. In parallel, poverty alleviation somehow slipped out of view for a while in mainstream agendas for economic reform.

In parallel, bilateral donors and international agencies such as the World Bank grappled with how to channel resources to the developing world. By the late 1970s it had become increasingly difficult to channel fresh resources to many developing countries. The various kinds of macro-economic program assistance (such as balance of payments support and sector budget support), which

3. See for example the excellent historical overview by Adelman in Tarp (2000).

were not tied to investment projects, and which could be justified under the headings of stabilization and adjustment, appeared an ideal solution to this dilemma. Financial program aid and adjustment loans became fashionable and 'policy conditionality' widespread.

In parallel with all this, aid fatigue was spreading, and nobody objected when Paul Mosley and his colleagues formulated the so-called micro-macro paradox in the late 1980s.⁴ This thesis suggested that while aid seemed effective at the micro-level, it was harder — or actually impossible — to identify any positive impact of aid on the macro-economy. Much of this was spurred by the focus of the 1980s in uncovering the economic impact of the stabilization and structural adjustment packages. As a corollary of the adjustment programs in many countries, the use of a wider variety of analytical tools in aid impact assessment became common. Evaluation methods such as CBA came under severe criticism, as the perception that aid (channeled through sovereign governments) is fully fungible spread. Instead macro-economic evaluation started taking center stage, and methodological issues gradually came to play an important role in the aid effectiveness debate.

We know today that the underlying structural model used in the formulation of the micro-macro paradox was incomplete. We also know that the academic literature available up to the mid-1990s does not justify the view that aid has no impact on growth (see Hansen and Tarp, 2000). The impact of aid on savings and investment is clearly less than 1:1 as suggested in the simple Harrod-Domar inspired macro-economic aid impact model. Yet, the impact is greater than nil.

4. See for example Mosley (1987).

Additional analytical work on the aid-growth relationship started appearing after 1995, relying on macro-economic cross-country regression analyses. This was facilitated in part by the availability of much better data and in part by insights emerging from new growth theory, associated with a rapidly increasing number of empirical studies of growth. Early work in this vein by Boone (1994, 1996) suggested that aid does not work and is simply a waste of resources. However, this contribution soon slipped into the background. One reason was the underlying theoretical model, but it is equally important that an analysis by Burnside and Dollar (1997, 2000) took center stage.⁵ They argued that some aid does work, and provided an attractive and seemingly self-evident solution to the 'micro-macro' paradox. Aid works, but only in countries with so-called 'good policy'. They based this on an aid-policy interaction term that emerged as statistically significant in their macro-econometric analyses of the aid-growth relationship.

Burnside and Dollar, and more recently also Collier and Dollar (2001, 2002), have used the above framework as basis for suggesting that aid should be directed to 'good policy' countries to improve aid's impact on poverty alleviation. This is in part justified by reference to the seeming inability of aid to change policy, emerging from other Bank funded research edited by Devarajan, Dollar and Holmgren (2001).⁶ While these policy recommendations were considerably toned down in the Bank's Monterrey document (see World Bank 2002), the selectivity message inherent in the above work remains influential.

5. The Burnside-Dollar study formed the analytical core of the World Bank (1998) study on the subject.

6. See Tarp (2001) for a review.

The Burnside-Dollar study has had many critics,⁷ and discussions have *inter alia* centered around what can be learned from the kind of cross-country growth regressions that underlie much of the recent empirical work on aid effectiveness.⁸ Generally speaking, robustness to methodological choices and data has remained a thorny issue throughout, and we would argue that this fact has not been taken sufficiently into account when research has been used for formulating policy. The borderline between research and policy advocacy has not always been respected. However, the academic debate on aid effectiveness and growth has certainly covered new and important territory when it comes to issues of empirical methodology and interpretation.

As regards the present state of the macro literature, a recent survey by David Roodman (2003) provides an overview and assessment.⁹ He reports the results of systematic robustness testing of the regressions run by the various contributors to the debate. Roughly speaking, Roodman find three main stories of macro-economic aid effectiveness in the literature :

1. Aid works in a good policy environment.
2. Aid works best in countries with difficult economic environments (low population, volatility of terms of trade, etc.).
3. Aid works in general (on average), but with diminishing returns.

7. See for example Hansen and Tarp (2001), Dalgaard and Hansen (2001), Guillaumont and Chauvet (2001), Lensink and White (2001), Lu and Ram (2001) and Mosley, Hudson and Verschor (2003). Easterly, Levine and Roodman (2003), Easterly (2003) and Dalgaard, Hansen and Tarp (2003) are up-to-date accounts. Hiebert (2003) and Itano (2003) are also interesting on the allocation of aid.

8. Solow (2001) suggests there is a case for focusing more directly on total factor productivity or factor augmentation functions as the proper left-hand-side variables in empirical work and thinking more seriously about legitimate right hand side variables. Current practice is in his view much too haphazard.

9. See Roland-Holst and Tarp (2002) for further background.

The tests applied by Roodman include altering definitions of aid, good policy, and shock, changing period lengths, removing outliers, and using an expanded and revised version of the data set first used in Easterly, Levine, and Roodman. The conclusion is that support is weakest for story 1, and strongest for story 3.

In sum, a measure of consensus has indeed emerged from the macro-economic aid debate. Aid impacts positively on growth. Arguably, it is time to move on and draw on micro-economic theory in our search for insights about how aid and growth can help reduce poverty more effectively than in the past.

On this background, the paper by Jean-Philippe Platteau is both timely and welcome. He brings into play a much needed micro-economic perspective as well as a success criterion that differs from both the internal rate of return in CBA analyses and the contribution of aid to growth inherent in the macro-econometric literature. More specifically, Platteau aims at uncovering how foreign aid can be designed so as to maximize the amount (or share) of aid resources that reaches the grass root level instead of being siphoned off along the way within one specific type of decentralization: Community Based (or Driven) Development (CBD).

2. Decentralization and Service Delivery

When the reader embarks on the analytical framework put forward by Platteau, many questions about how to situate his contribution in a broader context of decentralization and aid delivery come to mind. We therefore provide in this section a few background notes in order help clarify what decentralization means, why decentralization may be desirable, why the characteristics of the services delivered at

grass root level are important for the analysis, and which are the alternatives to promote participatory development. We finally provide a brief overview of what we see as a balanced view of the empirical results of CBD.

Decentralization

In his study of decentralization, Bardhan (2002) works with the following concept of decentralization: the devolution of political decision-making power to local level, small-scale entities. That is, decentralization is meant to strengthen the governing authority at the local community level (village, municipality or county levels of administration). This is broader than Platteau's focus on CBD, and it suggests that it is in general wise to be specific about what kind of decentralization is being addressed and what kinds of local institutions are involved. Otherwise, it is easy to miss important and relevant aspects of the decentralization and development process. More specifically, it suggests that Platteau may be missing much of the action. For most countries, it is hard to imagine that funding through NGOs (or local leaders) which are in focus in Platteau's analysis would exceed funding through the government, for example in the case of health or education. So although development funding through NGOs may be on the rise, it represents only a fraction of the total aid budget.

Given the title « decentralizing development as a strategy to reduce poverty », it is useful to keep this in mind: the government is after all still the major actor in fighting poverty. Moreover, Platteau puts focus on CBD, but he does not elaborate on the more specific characteristics of the local communities in his analytical

framework. Likewise, there is very little in the paper on how service delivery can be made accountable to local communities.

Finally, we recall that the conventional wisdom states that decentralization is to be preferred when preferences are heterogeneous and there are no spillovers across jurisdictions. With spillovers and no heterogeneity, centralization is efficient, while decentralization leads to under-provision. Centralization can exploit economies of scale, but these are less important in local management and maintenance, in which case decentralization becomes more attractive. Platteau abstracts from this kind of complexity.

Types of services

The above suggests that it is hard to establish the optimal balance between centralization and decentralization without reference to the kind of services involved. Some services are more suitable to become decentralized than others since they may not be associated with economies of scale. On this background, Prichett and Woolcock (2002) have developed a more detailed framework in which public services are categorized according to whether they are key, discretionary, and transaction-intensive.

By way of definition, 'key' refers to services for which there is consensus on the necessity of some government provision. Services are discretionary to the extent that their delivery requires decisions by providers to be made on the basis of incomplete information, which renders them unfit for standardization (mechanization). Finally, transaction intensiveness refers simply to the extent to which the service requires a large number of transactions. Discretionary services, which are at the same time transaction intensive,

are the most obvious candidates for decentralized provision.

To see how the above classification works, consider irrigation. This service is basically composed of (i) decisions on the location of the main channels, (ii) allocation of water flows and maintenance, and (iii) provision of standpipes in villages. (i) is discretionary, but not transaction intensive; (ii) is discretionary and transaction intensive; (iii) is not discretionary, but transaction intensive. Clearly, (ii) is best fit for decentralized implementation, and such services which are both discretionary and transaction-intensive are central to development debates. The issue is that the necessary human and institutional capacity for delivering them is regularly not in place. Platteau does not—for good reasons—pursue what can or needs to be done in such cases, but it is of course an intricate issue, which is relevant when decentralization is being discussed.

In describing the typical case of water supply, Prichett and Woolcock find that location decisions have often been made purely on a technocratic and expert basis, with little effort to incorporate local knowledge. Typically, a complete lack of attention to what people actually want has been common, and it is widely recognized that providers have in these cases been able to abuse their discretion, siphoning funds off in various ways. As just one example, governments have attempted to launch discrete projects (often donor funded) to create public standpipes with only limited success due to their top-down nature. However, one recent review reported by Prichett and Woolcock shows that for a supply of 12,000 standpipes, breakdown rates fell from 50% (when maintenance was the responsibility of the national water corporation) to only 11% (when it was under community control). This suggests that ownership is

important and demonstrates the potential strengths of greater emphasis on a more participatory approach involving beneficiaries. The next section provides further detail on a number of ways in which one can approach the participation goal. From this perspective, it is clear that Platteau's model is a stylized case of CBD, which is only one type of participatory decentralization. Donors are in reality involved in a much wider set of activities and have to consider a wider menu of options.

Participation

Single Sector Participatory: Resources flow from the center directly into sectors (the budget decisions across sectors are not made at the community level) but users and beneficiaries usually bear more of the capital and recurrent costs. In the implementation of individual projects and in the operation of these projects, local communities or user groups are involved in more decisions, so there are greater information flows from the agency to citizens and back. Delivery mechanisms are in the purview of the sector line agencies, but decision-making is allowed to be more local and a menu of options is presented rather than the single 'technologically best' option. Accountability flows from citizen to service provider, often via newly created groups which are selected at the local level and responsible for certain functions (e.g. maintenance).

Demand-side Financing: In the literature on schooling this approach is called 'vouchers', or in health care financing, 'single payer'. The individual chooses the providers and the government reimburses the citizen (or provider) in whole or part for this service. In this model, resources flow directly from the government to

individuals/households, with information flowing horizontally among users. All decision-making about service provision is decentralized, and the primary delivery mechanism is via private sector (for profit or non-for-profit) providers. Accountability is through 'exit'; unsatisfied users simply choose another supplier.

Social Funds: In a social fund, resources are delivered to local communities (with or without the involvement of NGOs) to help them engage in their own decision-making — which pertains to the design, delivery mechanisms, and maintenance of projects most appropriate for their needs, interests, and aspirations. The flow of information is largely 'out' to potential users of the fund. Governments (national and local) are largely financial conduits, not providers, and the social fund itself is held accountable (both by the government and clients) for how resources are utilized.

Community Driven Development (CDD): Donors (or governments) give resources directly to 'community groups' (not necessarily synonymous with NGOs), bypassing some levels of government altogether (though their tacit 'approval' may be sought for the project). Information flows horizontally, on the explicit assumption that community groups themselves are the most efficient (minimizing wastage, maximizing marginal benefits) and effective (assigning finite resources to their most useful common purpose) purveyors of that information. Decision-making regarding both which projects to undertake and whom they will benefit is left to the community; the delivery mechanism is usually the community itself, supported by small grants for any necessary technical assistance in the design and implementation phase. The goal is "empowering" the poor by enhancing their capacity to be more effective agents of "bottom-up

development" (which in turn leads to local governance reform). CDD is sometimes distinguished from CBD when—in addition to community groups making decisions in planning, implementation, and management—they also manage investment funds. Thus, Platteau's concept of CBD and CDD are equivalent. In any case, it is in this specific type of setting that Platteau's discussion is grounded.

Monitoring service delivery

In Platteau's analysis, focus is on self-enforcement. There is no service delivery contract involved, and monitoring (in the sense of third party verification) is absent. This hardly reflects reality, where donors do indeed rely on such measures. Also, even if contracts may not be complete, they still retain value. The challenge as we see it is to align the incentives among the different parties. In a principal-agent model, the right incentive mechanism can be designed to ensure that the delivered services satisfy local needs, and we believe this deserves more attention than Platteau seems to attach to it.

Empirical results

Reading Platteau's paper it is easy to get the impression that decentralization does not work. However, Mansuri and Rao (2003), in their review, provide the following tentative and probably more balanced conclusions :

- There is some evidence that CDD create effective community infrastructure and improve welfare outcomes.
- The limited quantitative evidence suggests that participation in decision-making and project implementation have a beneficial effect on service delivery.

- Involving the community in choosing, constructing and managing a public good is a process that will almost always be dominated by elites because they tend to be better educated, have fewer opportunity costs, and have the greatest net benefit from participation. It is not clear, however, that this represents 'capture'. A distinction should be made between benevolent capture and malign capture.
- It seems reasonable to conclude that CDD is more effective in cohesive and better-managed communities.
- Since the success of CDD is crucially conditioned on local culture and social systems, it is best done not with a wholesale application of 'best practices' applied from projects that were successful in other contexts.
- One of the most worrying aspects is that most CDD projects lack careful evaluations with good treatment and control groups. This must be urgently rectified, and the existing popularity of program evaluation efforts will hopefully help stimulate this process. A good example is King and Berk (1998), who study actual school autonomy in Nicaragua. They find that schools with greater autonomy with respect to teacher staffing and the monitoring and evaluation of teachers appear to be more effective in raising student performance.

It should be clear by now that the decentralization case considered by Platteau is one among several ways in which donors can approach decentralized aid delivery. It should also be clear that the available empirical evidence suggests that CBD does indeed seem to help enhance local service delivery. In sum, CDD or CBD does — based on the general evidence—come across as an approach to

local development with which the aid community should continue to experiment.

3. *The Plateau Model*

The basic set-up put forward by Platteau consists of three actors: the donor (*A*), the local leader (*L*), and the grassroots (*G*)¹⁰. *A* contemplates providing funds to *G* through *L*. As such, *L* acts as an intermediary between *A* and *G*.¹¹ It is assumed that *G* does not have any alternative funding possibilities. It is also assumed that *A* and *G* do not have any contact, but *A* can check whether *L* really represents *G*.¹² *A* does not observe how the funds are being shared between *L* and *G*, but does have access to some costly verification technology.

The stage game is such that in stage 1, *L* makes an offer to *G* regarding the split of the funds between *L* and *G*. In stage 2, *G* has to accept or reject the offer by *L*. If *G* rejects, no funds are allocated by *A*. In this ultimatum game the only subgame perfect strategy by *G* is to accept anything *L* offers, and *L* offers the lowest split possible. This is the major concern of Platteau, and he looks for ways and means to avoid such a situation, which is undesirable for *G* (as well as *A*). The way out suggested by Platteau is to find a mechanism that disciplines *L*. Alternative mechanisms (based on accountability and incentives) to ensure a higher share of aid resources for *G* are not considered. This is somehow paradoxical since Platteau himself actually introduces the notion of a social norm in order to

avoid that *G* receives nothing. Another question is whether this assumption is necessary in theory. Arguably, this is not the case.

Assume that *A* chooses to release funds in a step-wise manner conditioned on *L*'s previous behavior (i.e. the split in the previous period). Would that discipline *L*? The answer is, as Platteau rightly points out, that it depends on the nature of the repeated interaction. Indeed, if the horizon is infinite (the relationship is infinitely repeated) or indeterminate, then *L* can in theory be disciplined. Platteau discards the possibility of an infinite (or indeterminate) game, arguing that (i) CBD aid is precisely aimed at making communities self-supporting after a certain period of time, and (ii) the limited duration of the external intervention is better made clear from the beginning. Yet, if one assumes that there is a probability that the game goes on, depending on past behavior, and at the same time notes that an infinitely repeated game can be represented by a game that is finite (i.e. terminates at a certain point in the future with probability 1) (Fudenberg and Tirole, 1991), the social norm is not required. Be that as it may, in a repeated setting, disciplining *L* should definitely be possible as suggested by the evidence reviewed in Section 3. The question with which donors should be concerned is how this is done most effectively.

A thorny problem in this context is if several aid agencies compete for access to the same communities. Clearly, in such cases *L* gains more leverage in dealings with any individual donor *A*, and it becomes harder to discipline *L*. This is reinforced if donors have different objectives (a common agency problem along the lines of Bernheim and Whinston, 1986). This points to the importance of aligning the objectives and behavior of different donors, and

10. We ignore in this discussion the ultimate purveyors of funds (*P*).

11. One story is that *L* has organized *G* into a development association and has been 'elected' president, but *L* can also be a local NGO.

12. It is not entirely clear how this works since *A* and *G* have no contact.

concentrating aid in the hands of a few donor agencies is one option. As correctly noted by Platteau, if there are scale-economies in fraud detection (split verification) this approach would come with the added side benefit of reduced costs. Therefore, concentrating aid (through mechanisms such as the lead donor principle), with which donors are already experimenting, is theoretically justified.

In his search for a disciplining mechanism, Platteau first analyses the notion of a multilateral reputation mechanism (MRM), which is an information network operated by donors. The idea is that L will only get funds if L has never cheated in the past. Any L caught cheating would be reported to the MRM. This would serve to further discipline L . Yet, as rightly noted by Platteau, this network is not without its problems, so further study is needed.

Arguably, the most important aspect in disciplining L emerging from Platteau's analysis is the fraud detection technology (FDT), even if this is really nothing more than a specific type of monitoring. An ineffective FDT clearly makes it difficult to discipline L . We reiterate that the effectiveness of FDT depends on the nature of the services involved. For certain types of outputs — which by their nature are easily observable — monitoring and evaluation should be a relatively straightforward endeavor. They should come high on the list of priority actions when the risk of rent capture is high. For other types of outputs, detection of fraud is more complex and it must ultimately rely on community members' willingness to reveal any misbehavior. Platteau notes that such 'whistle blowing' is often not in their best interest because they depend on L to get aid. They have, Platteau argues, more to lose than to gain from revealing fraud. Be that as it

may, we would argue that one can design mechanisms to overcome this, including hiring independent monitors with local knowledge.

Finally, reflecting on alternative mechanisms to discipline L , it is in our view notable that Platteau hardly touches upon the potential merits of competition among different local leaders. He quickly dismisses this option referring to the negative effects of competition on social capital. However, consider the branch of game theory known as tournament theory. Assume that A designs a tournament each period in which a set of local leaders (in different villages) compete for a fixed set of prizes. There is empirical evidence which shows that in such tournaments, greater prizes lead to greater effort (Ehrenberg and Bognanno, 1990; Knoeber and Thurman, 1994). Assuming that social capital is particularly important within villages, organizing a competition among their leaders does not necessarily erode social capital at that level.

We recognize that trust between villages may also be important, for example for trade. However, explicit attention must be paid to balancing greater efforts against lower social capital, and the tournament should be organized at the level where the potential damage to social capital is minimized, e.g. district or province instead of village. A problem more difficult to overcome with tournaments and competition among leaders is that players are unlikely to help another player who is in need (see Raffi and Zemsky (1997) for a theoretical treatment and Drago and Garvey (1997) for empirical evidence). We would argue that this has more to do with marginalization of the loser than erosion of social capital, and has to be addressed accordingly. In sum, due to the potential (theoretical) merits of competition, outright, general

rejection of this option does not come across as justified given the present state of our knowledge.

4. Final Remarks

We agree that on the side of donors there is a need for improved coordination, less competition, improved impact assessment, and more patience. This would help create an environment where it is easier to discipline local leaders and hence enhance the effectiveness of foreign aid. This is, however, not particularly new, and the critical challenge for these problems is to turn the insights into practice. Further research is unlikely to contribute much in this regard. However, when it comes to issues that are related to the very core of decentralization — such as local ownership and government, accountability and monitoring — the existing theoretical and empirical basis is still weak. The same goes for the desirability of clarifying the pros and cons in a developing country context of innovative approaches, such as the tournament idea mentioned above.