DECENTRALISATION AND ACCOUNTABILITY IN INFRASTRUCTURE DELIVERY IN DEVELOPING COUNTRIES*

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Many developing countries are experimenting with decentralisation of public services to elected local governments instead of bureaucrats appointed by a central government. We study the resulting implications in a theoretical model in which the central government is uninformed about local need and unable to monitor service allocations. Bureaucrats charge bribes for services as monopoly providers, resulting in underprovision of services, especially for the poor. Local governments are directly responsive to their citizens needs but may be subject to capture by elites. Effects of decentralisation on service volumes, efficiency and equity are analysed under different financing arrangements for local governments.