

Uneasy Federation

The Political Economy of
Central Budgetary Transfers in South Asia

by Hiroshi SATO

Institute of Developing Economies

Uneasy Federation

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INSTITUTE OF DEVELOPING ECONOMIES

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Hiroshi SATŌ

South Asian states are undertaking trial efforts to provide local governments with financial resources through central transfers. This work assesses these efforts. The author, using his studies of contemporary South Asian history for over twenty years at the Institute of Developing Economies, tries to merge three issues of research interest. The first is the search for an appropriate institutional framework that would guarantee that local governments meaningfully serve the basic needs of the local inhabitants. In light of the highly centralized and urban-biased mode of contemporary development, such a framework would premise reallocation of national resources in favor of local governments which work at the grass-roots level. The second issue is concerned with communal problems and regionalist or separatist movements in South Asia. The subject taken up in this study is the mechanics of center-local financial transfers which is the most sensitive and delicate of the problems involved. Lastly, the author, tries to pursue systematically the institutional development of center-local financial transfers from colonial times up to the beginning of the 1990s. Given their heritage of colonial institutions, it is expedient to make a comparative study of post-colonial institutions in South Asian states. The study concludes with a discussion on the future prospects for the institution of center-local financial transfers.