

## Development of Local Government – a Key to Poverty Reduction in Rural Africa

- *In sub-Saharan Africa some 80% of the poor live in rural areas and derive most of their incomes, whether in kind or in cash, from agriculture; economic development that is based on agriculture and benefits the mass of the population and the building of development-oriented local government structures providing a wide range of services are therefore essential if poverty is to be reduced.*
- *Both aspects have been repeatedly overlooked because of erroneous assessments of the employment, economic linkage and value added potential of peasant farming and the disdain in which the development-promoting significance of rural communities is held; since the 1980s international development cooperation has, moreover, increasingly shifted the emphasis in its promotion to physical and social infrastructure and the service sectors, principally in the industrial and urban sphere.*
- *At the same time, there has been a growing realization that the task for rural and agricultural development to proceed sustainably and have the effect of reducing poverty will become a complex, cross-sectional one; this can no longer be performed with conventional approaches to development based on project aid; this is equally true of all globally designed action programmes that influence sustainable agricultural and rural development, such as the implementation of Agenda 21, the plan of action to implement the Desertification Convention, the World Food Summit Plan of Action and the implementation of the poverty reduction strategies to achieve the Millennium Development Goals.*
- *From these facts, omissions and findings it must be concluded that poverty reduction in all Africa's agricultural countries should be achieved primarily through agriculturally based development, in which local government must play a role in promoting local economic development, coordinating the intersectoral activities and bridging the service gap between national and local level; this can be achieved only by means of gradual political, institutional and fiscal decentralization.*
- *As the rural communities will have to bear the main administrative burden of poverty-reducing development in the future, they must be sustainably strengthened with national and international support; a beneficial agricultural policy environment, realignment of international development cooperation and jointly financed and democratically controlled district development funds are prerequisites for broad-based, poverty-oriented rural development.*

### Global Development Framework

According to international development policy standards, the reduction of rural poverty through sustainable agricultural and rural development can be achieved only within the framework of global action programmes, which will have to be implemented at district and local level. The global action programmes emerging from international commitments between UNCED '92 and the UN Millennium Summit of 2000/2001, such as Agenda 21, the plan of action to implement the Desertification Convention, the World Food Summit Plan of Action and the implementation of the poverty reduction strategies to achieve the Millennium Development Goals, all cover the whole range of national development policies; they are complex in nature and, if they are to be successfully implemented, they will usually require comprehensive sectoral or macropolitical reforms. This will not be achieved with the conventional approaches of project-based or subsectoral development. The concept of setting development policy priorities and establishing core programmes accordingly, on the other hand, will be more helpful, especially where the aim is to pool resources and use them more effectively.

Within this framework international development cooperation must now seek out more efficient forms of implementation for cooperation in partnership as advocated in the G8 Africa Action Plan for New Partnership for Af-

rica's Development (NEPAD). It should be remembered in this context that

- all the main groups of public and private actors are involved (participation requirement),
- all levels of government are involved (subsidiarity requirement),
- all relevant sectors can make their complementary contributions to development (integration requirement) and
- the private sector can accept the challenge to cooperate in its own economic interests (market requirement).

On the whole, this is also true of agricultural and rural development, which has waned in importance in international development policy since the 1980s. Nor, unfortunately, has it yet found, after decades of failed attempts (Community Development, Package Deal Approach, Integrated Rural Development), really viable structural foundations on which broad-based economic and social development might occur in the national context. This weighs all the more heavily as it has prevented – not least with international support – rural communities in sub-Saharan Africa, where some 80% of the poor live predominantly on agricultural and subsistence incomes, from adopting their own, effective pattern of development within the framework of traditional territorial and decision-making structures.

On the other hand, it is sufficiently well known that in many countries of sub-Saharan Africa the requirements of participation, subsidiarity and market orientation have been repeatedly ignored. This has led to more or less serious distortions of the various aid approaches, by which the structural adjustment programmes have not been left untouched either. On the whole, inappropriate national development policies, suboptimal forms of external support, generally declining ODA flows for agricultural and rural development and the infringement of the subsidiarity principle have exacerbated the "urban bias"; this reflects the neglect of the development of the rural economic area in the past few decades, including the failure of donor and partner countries to provide sufficient public funds for agriculture and rural development.

### **Promoting Agriculturally Based Development of Benefit to the Mass of the Population**

Empirical findings (Brandt/Otzen, 2002) now clearly indicate that poverty reduction in the agricultural countries of Africa can be achieved primarily through agriculturally based growth. Agricultural development can, in turn, succeed only where it is integrated into a spatial development concept which is in balance with national, local and urban development. Thus sustained poverty reduction can be achieved only through broad-based agricultural and social development combined with politically, structurally and fiscally strengthened rural communities.

A positive sign is the growing realization during the global debate on development policy since UNCED '92 and the 1996 World Food Summit that the emphasis must be placed on the following aspects if there is to be sustainable agricultural and rural development:

- gains in agricultural productivity stimulated by (a) price, market and trade policy, (b) the development of agricultural innovations and technology, (c) the improvement of agricultural services and (d) support for agrarian reforms;
- social development in the areas of (a) primary education, (b) initial and advanced vocational training and (c) primary health care and measures to combat HIV/AIDS;
- institution-building and capacity improvement in the areas of (a) local democratic structures, (b) local services and development coordination and (c) regulatory mechanisms to ensure the administration of justice and the setting of appropriate standards;
- development of rural infrastructure in the areas of (a) road-building and maintenance, (b) transport and communications, (c) energy, (d) local markets, (e) irrigation and drinking water and (f) refuse disposal.

### **Initiating Decentralization**

It is becoming increasingly clear in the development debate that the extremely ambitious approaches to solving national cross-section problems will hardly be possible in the future unless steps are taken beforehand or in parallel to decentralize government. This is as true of rural development as it is of the implementation of sector-wide programmes and reforms. It is most certainly true of the implementation of global policies that now have to be transformed downwards to local level. The question of the implementation of poverty reduction strategies merely provides the latest proof in this respect: international development cooperation will be able to provide lasting

support for implementation throughout a country only if it can be based on political, institutional and fiscal structures that can be used at a decentralized level. Only then will the result be broad-based development and the development of democracy from the bottom up.

The aim here is to bid farewell to approaches to development which have hitherto been too dirigistic and complex and of which too much has been expected. What is being sought, in the final analysis, is an optimum alliance between the public and private sectors, represented by the main groups of actors at the various levels of government. This optimum alliance is most likely to evolve in a state structure in which the subsidiarity principle is applied. It includes two aspects: (a) the creation of conditions for the gradual emergence of political, institutional and fiscal decentralization and (b) the creation of an economic environment that enables private-sector development and local economic linkages to become more dynamic.

The changes of direction in development policy to be deduced from this for poverty-reducing development should be made gradually: where the provision of public funds is concerned, towards the sectors with the best prospect of successfully reducing poverty (see above); in the institutional and organizational sphere, towards the strengthening of rural communities; and in the area of private-sector development, towards the creation of legal and investment conditions conducive to local economic development.

### **Taking Institutional and Organizational Precautions**

In general, national poverty reduction strategies can be implemented only if

- the development targets referred to above are fully integrated into the overall national development policy and competently pursued by central government (Comprehensive Development Framework),
- the various forms of assistance are provided by central government, local government, organized civil society or the private sector in accordance with the subsidiarity principle,
- the development measures can be implemented in a decentralized and participatory manner and
- receive sustained support under medium-term financial and fiscal policies.

Thus poverty-reducing agriculturally based rural development undoubtedly needs politically, institutionally and fiscally strengthened rural authorities capable of combining sectoral integration with responsibility delegated to them in accordance with the subsidiarity principle. If (a) participatory planning processes, (b) decision-making processes over which the local authorities have sole jurisdiction and (c) intersectoral coordination processes are eventually to lead to (d) development measures ready for financing, efficient and transparent steering mechanisms will be needed at local government level. They are most likely to be established in systems of local administration that are able to achieve both, harmonize political interests and match them with technical/financial interests and options. Such twin-track systems have already been installed in many local government administrations, especially in the English-speaking countries of Africa; they should be revived under development policies. Such countries as South Africa, Ghana and Uganda are already making good progress in this direction, while such countries as Malawi and Tanzania are just beginning.

The idea behind such systems – notwithstanding a number of problem cases, foremost among them Zimbabwe, Sudan and Nigeria – is that provincial, district and local councils should use the political track to develop their own guiding development policy function, while the administrative track is designed to make intersectoral coordination possible, to draw on local expertise and to prepare the budgeting of development measures. The political mandate held by the councils (in elected local and district assemblies) for a set term should enable them to call at any time on the expertise summoned by the local administration and provided by the line ministries, the private sector and organized civil society. As a rule, this is achieved through technical subcommittees. Local government decisions coordinated politically and technically in this way form the basis on which viable development schemes and measures can then be launched. They can be supported jointly by the public authorities, the private sector and international development cooperation within the framework of a programme that is consistent in itself.

Unfortunately, reality in many sub-Saharan African countries still differs from this ideal. The missing link between central government and the people, which the local or district administrations ought really to have forged long since, is now supplied by organized civil society in many cases. But NGOs and community-based organizations are not a permanent substitute for a development-oriented local administration integrated into the state, which should be capable of performing even long-term and intersectoral development tasks. South Africa has accepted this challenge in exemplary fashion with its "developmental local government" approach.

### **Strengthening Fiscal Autonomy**

If broad-based rural development is to have the backing of national financial policy, the fiscal autonomy of the lower territorial authorities must be strengthened. For the decentralized development of rural areas to benefit from an increase in fiscal autonomy, local financial management must be gradually improved and form part of a general fiscal policy framework. This can be achieved only on the basis of four pillars of fiscal decentralization, which usually have still to be developed: (1) improving the local revenue base, (2) securing and increasing intergovernmental transfers, (3) gearing expenditure to investments for development and (4) where appropriate, local borrowing, which should be handled with extreme caution.

Increasing fiscal autonomy is in itself a very laborious and lengthy process; it should be viewed from the angle of the joint financing of decentralized rural development by means of intergovernmental transfers and local resources (local taxes, user fees, licences, etc.) and – where public-private partnerships evolve – with the private sector involved; it should also be coordinated with sectoral development financing and with the provision of external financial flows, where this can be negotiated with the international donor organizations.

These three components (local joint financing, sectoral financing and external development financing) together create the financial framework for decentralized development in accordance with the subsidiarity principle. Within this framework contributions to the establishment of core programmes could be made, firstly, by central government (through the financing of the local administration, the intergovernmental transfers and the sectoral contributions), secondly, by the local authorities (from local revenue and, possibly, by borrowing), thirdly, by the private

sector (from its own funds or from public-private partnership resources) and, fourthly, by international development cooperation. The gradual institutionalization and improvement of this financing framework is one of the most important basic requirements for sustained and broad-based development. It cannot therefore be rated highly enough in national and international promotion policies. Development cooperation will thus need to use new forms of development financing, such as sectoral budget financing and decentralized budget financing (see point 5 below).

### **Integrating Rural Communities Into the State as a Whole**

Against the background of largely positive global experience of the decentralization of government, in contrast to the largely unsuccessful efforts to implement complex, cross-section development projects effectively, attempts should now be made to develop a framework of practical action from these two positions. It should seek to combine one with the other. This will be possible only if the general principles of simplification and subsidiarity are made to apply both in national development policy and in international development cooperation.

On the basis of the subsidiarity principle and the tried and tested arguments for political, institutional and fiscal decentralization, the structure within which complex development policy tasks should be performed in the future becomes clear: a graduated division of labour between central government, local government, civil society, the private sector and the organizations of international development cooperation. Thus the long-term aim should be an organizational framework which

- ensures that only core government functions are performed by central government,
- provides for an appropriate delegation of development tasks to local government,
- makes private-sector participation possible and attractive and
- can also be used for external support without creating parallel structures.

On the whole, this is a challenge of the first order when related to the practical side of development policy. What will be needed is a long-term, gradual process guided by its internal logic of coming closer to a form of internal development that is based on a division of labour. In this process the funding agencies at the various levels may have reached widely different stages in their own development, which is an entirely realistic scenario. It will be crucial to apply the principle of the graduated division of labour at each level of funding with the aim of reducing poverty. With its principle of "cooperative governance" and the constitutional requirement of "developmental local government", South Africa has created almost ideal conditions for development. It will be important to ensure that, once launched, this process is irreversible. It should therefore be able to survive political turbulence and not, as has happened all too often in the past, become bogged down in feeble approaches that repeatedly fall short of what is needed.

### **Realigning Development Cooperation**

With partner countries facing such challenges, international development cooperation too should adopt a new position, of course. This applies both to planning, devel-

opment coordination and to programming. Fortunately, recent approaches already anticipate this in such important areas as the setting of development priorities, donor coordination, efforts to achieve coherence between development policy and other policies, the establishment of coherent programmes, budget financing and even the promotion of decentralization. Presumably, this marks the beginning of the evolution of a conception of international development cooperation that remains viable in the long term. This might be ideal inasmuch as it would be capable of combining sustainability and broad-based development with the promotion of democracy from below.

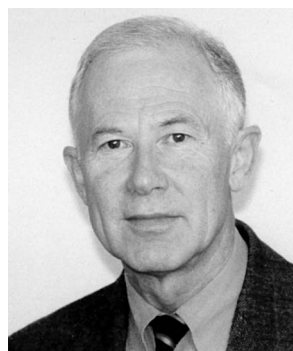
The above considerations and the conclusions drawn from them enable a number of recommendations to be made. They are largely in the nature of long-term prospects of a gradual change of direction in development policy. The measures recommended could be taken in various sequences: consecutively, simultaneously or before they are actually needed; what is decisive is that they are integrated into an overall plan of implementation that focuses on increasing agricultural productivity, improving rural infrastructure, promoting local economic development and decentralizing governments' social and support services and features an effective division of labour. This might be supported by international development cooperation as follows:

1. Helping partner governments to (further) develop national decentralization policies and such regulatory, legal and fiscal mechanisms as local government, supervisory control over local authorities, joint functional authorities, etc.
2. Helping partner governments to develop and expand the local administration and the most important sectoral ministries for poverty reduction, and especially the agriculture, health, education, training and public works ministries.
3. Helping partner governments to establish long-term cooperation between central government and its sectoral ministries, organized civil society, the organized private sector and the local authorities in accordance with the subsidiarity principle.
4. Helping partner governments to reform their financial administrations with a view to both strengthening the fiscal autonomy of the lower territorial authorities and introducing new forms of external development financing.
5. Both sectoral budget financing and decentralized budget financing can be considered in this context; the latter could use either the mechanisms of inter-governmental transfers or decentralized development funds; at district level district development funds might be formed; this would have to include help to establish an effective independent financial control system.
6. Helping partner governments to train experts and managers in the local government administrations and to establish development-oriented local planning and coordinating units.
7. Helping partner governments and local authorities to expand and maintain the rural road network with the aid of innovative forms of joint financing and partici-

pation embracing central government, local government and the private sector.

8. Helping partner governments to improve the performance of their agricultural administrations with a view to deconcentration and orientation towards poverty-reducing services.
9. Helping partner governments with the decentralized implementation of agricultural reforms with a view to a division of labour between central government (agriculture ministry and its external offices), local authorities and the private sector.
10. Helping partner governments to develop a rural finance system (e.g. cooperative savings and credit system on the model of the Raiffeisen purchasing and credit cooperatives) with a view to overcoming the chronic undercapitalization of the peasant farming and small business sector in the medium term.
11. Helping partner governments to deconcentrate and enhance the effect of national agricultural research with a view to focusing on poverty-reducing research efforts.

The financial risk attached to decentralized funding mechanisms, such as district development funds, taken as a whole, is probably no greater than that inherent in the conventional development financing of public-sector investment projects through the treasury. When such risks as weak financial control, waste of resources and nepotism are weighed up against the potential benefits for decentralized development, such as local ownership, bringing government nearer to the people, avoidance of parallel structures and the achievement of wider-ranging development, the latter must be rated higher.



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