

# The Role of Local Governance in Poverty Reduction

Caught between high expectations  
and constraining environments

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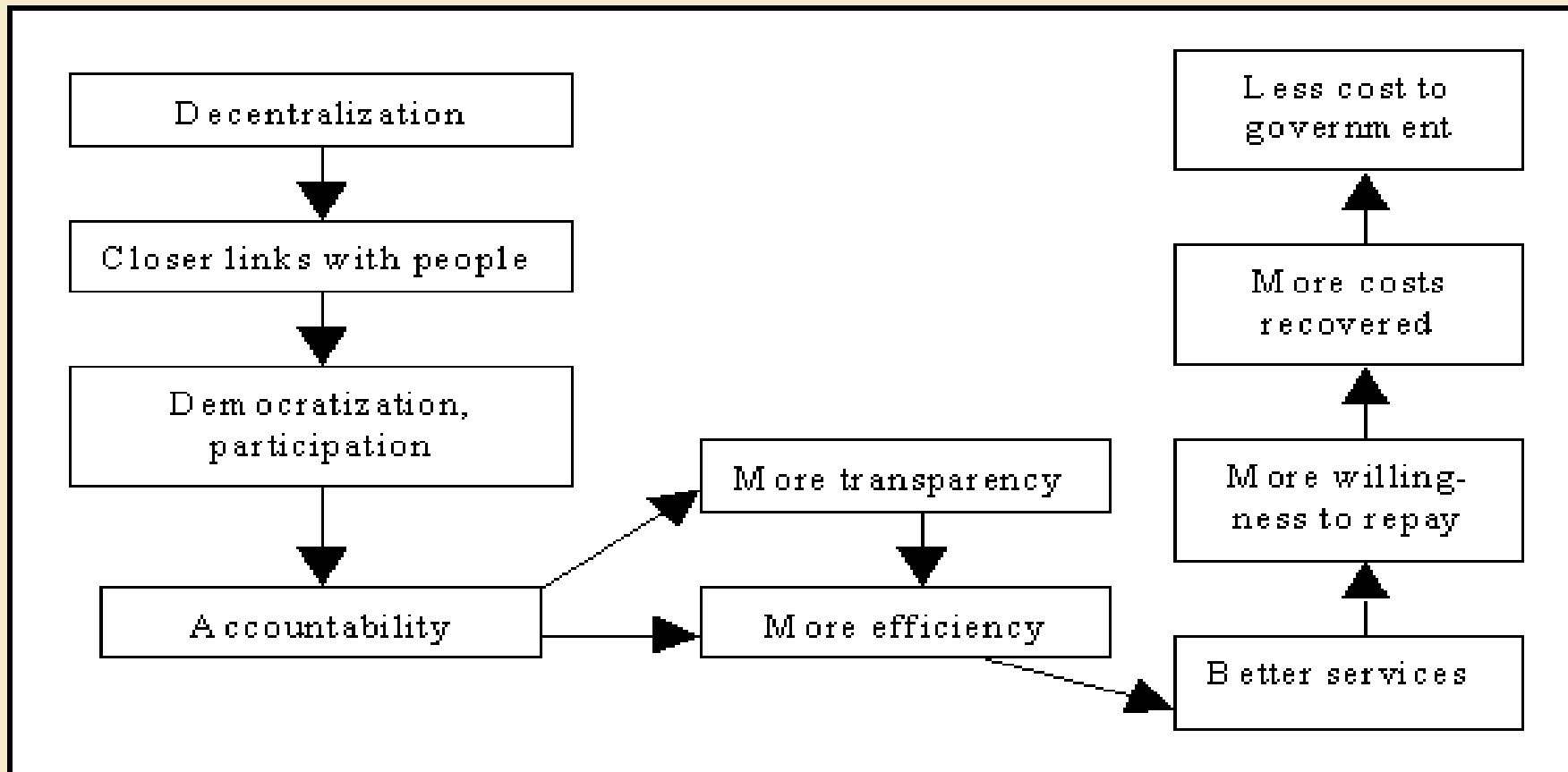
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- What evidence exists on the relation between local governance and poverty reduction?
- How can this guide local actors (and their donors) in their poverty reducing actions?

## Decentralization fashion

- Pushed high on the international development agenda since the early 80s
- Why? “Failure” of the central state in LICs
  - Weak service delivery
  - Weak responsiveness

# High expectations



**Decentralization is thought to be good for economic growth and democracy**

# High expectations

## Top down advantages

- Proximity citizens
- Information
  - Actors
  - Space/geography
- Cost/benefit
- Revenue advantages

## Bottom up advantages

- Proximity decision makers
- Inclusion
- Accountability
- Better value for money

## **The evidence: is decentralization good for poverty reduction?**

- Systematic evidence is hard to find
- A couple of success stories: Indian states of West Bengal and Kerala and the Brazilian states of Ceara, Minas Gerais and Rio Grande do Sul.
- Most evidence cautions about the relation between decentralization and poverty reduction
- Most evidence points at the determinant role of the central state

## Variety in decentralization studies:

- Empowerment of the poor → pro-poor policies
- Pro-poor growth → increase incomes of poor farmers, sharecroppers, agricultural labourers, small traders or urban workers particularly in the informal sector
- Human development or improvements in quality of life
- Reducing spatial or inter-regional inequality

## Empowerment poor, participation poor

- Yes: increase in 'quantity' of participation
- No: local policies more pro-poor

⇒ participation is a necessary but not sufficient condition for greater responsiveness

- ⇒ Capacity citizens matters
- ⇒ Gvt willingness to listen



## Pro-poor growth

- Mainly depends on central gvt policies, including infrastructure (roads, water, electricity)
- Investments and returns agricultural sector – creation urban employment mainly area of central gvt
- Locally, overinvestment in social areas, urban investment

“There is little evidence that purely local programmes, which ignore the need for macro-economic investments and at least regional technical support, can do more than scratch the surface of rural poverty” (Belshaw 2000)

## Human development, equity

- Elite capture & neo-patrimonialism
- Contesting access and quality local services remains a challenge for poor people
- More access is not more quality

## Spatial equity

- Decentralisation tends to exacerbate tensions surrounding regional inequalities
- The challenging factor of natural resources
- Multiplication of districts/local governments to fragment big problems – costly, but brings services into remote areas (increased access versus quality)

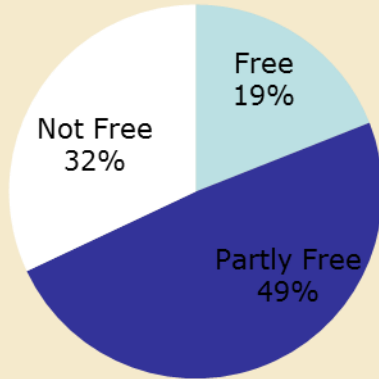
# What explains the gap between expectations and realizations?

- The role of the state:
  - Ownership over decentralization / goals of decentralization
  - Design & implementation decentralization policies
- Pushy donors
- Local level challenges

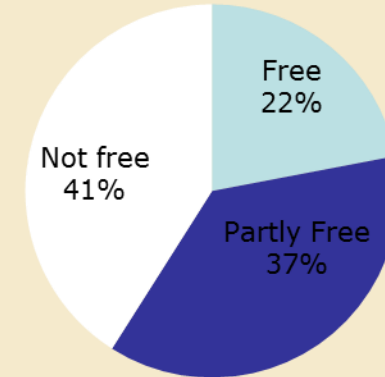
## Role of the state: ownership

- Genuine ownership decentralization?
- Goals: Push development? Lower political tensions?
- The dangers of decentralization:
  - Potential loss of power, control
  - Endangering policy coherence, consistency
  - Inequality between regions
  - Separatist movements
- Hybrid regimes
  - Formal versus informal institutions
  - Neo-patrimonialism decentralized?
- Freedom levels decreasing
  - Decentralisation without freedom?
  - Effects on accountability?

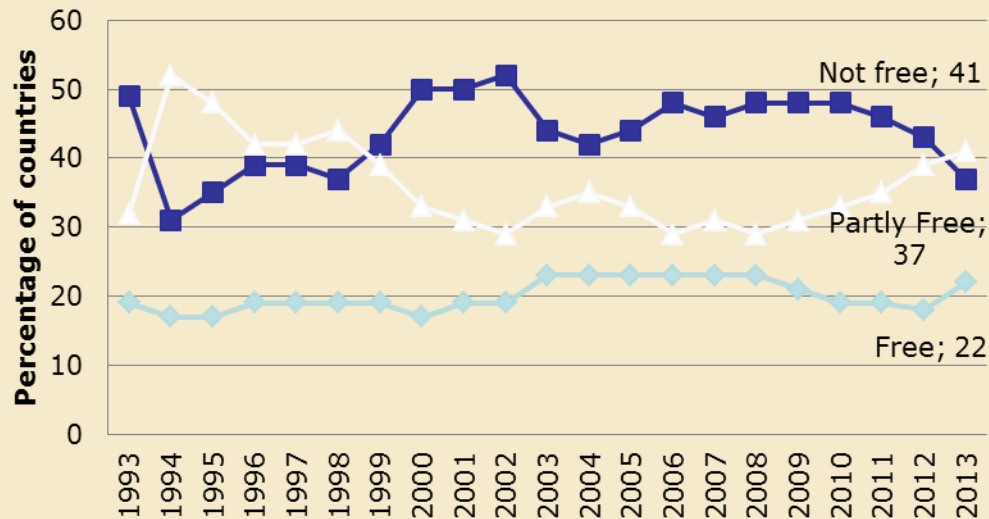
## Sub-Saharan Africa 1992



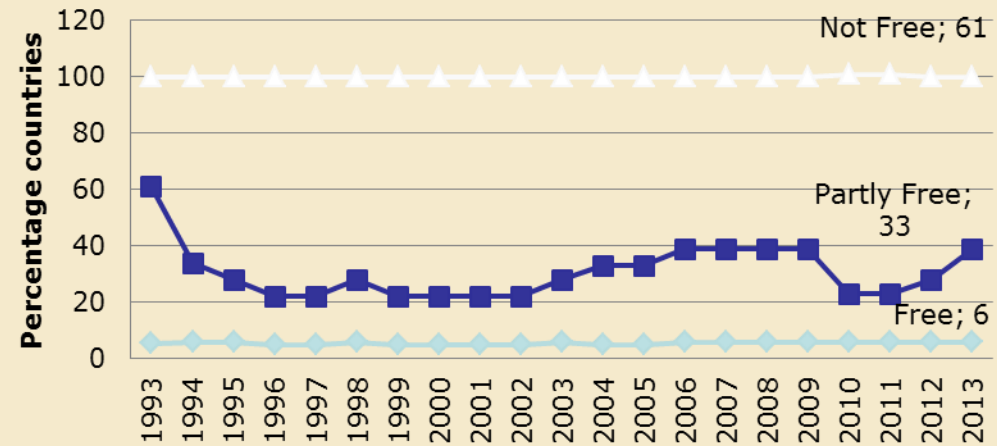
## Sub-Saharan Africa 2013



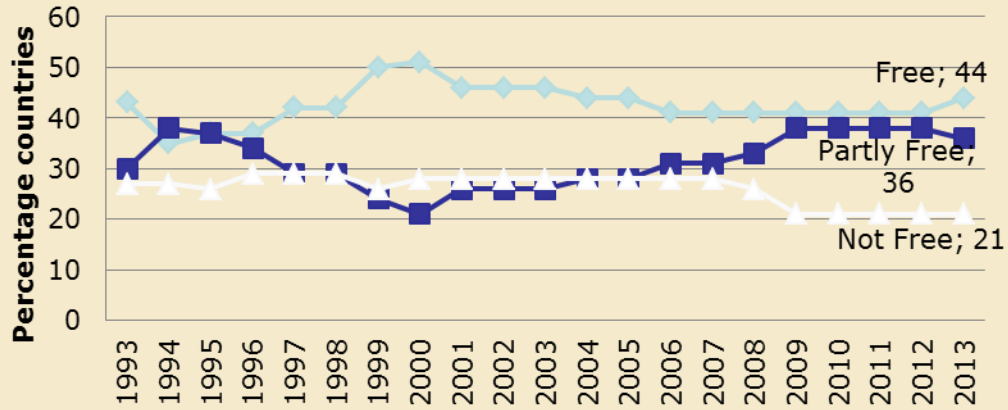
### Evolution Freedom SSA



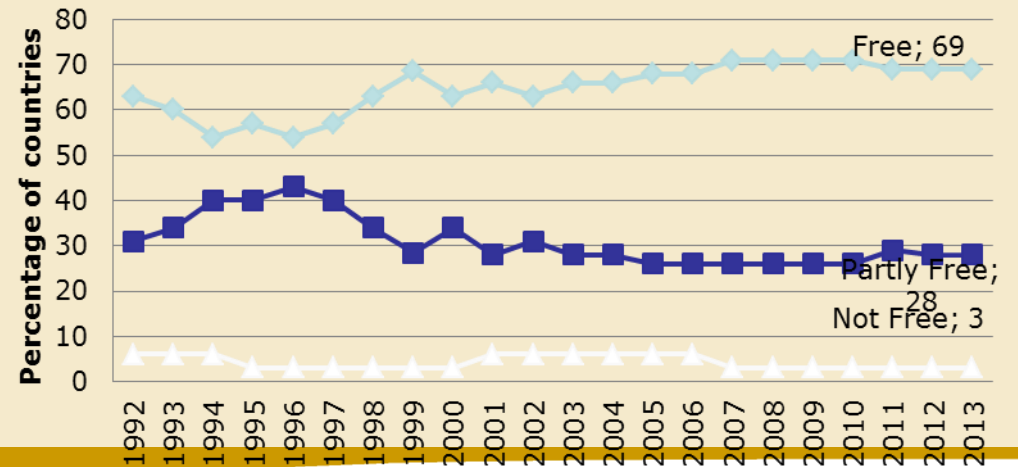
### Evolution Freedom Middle East & North Africa



## Evolution Freedom Asia-Pacific



## Evolution Freedom Americas



# Role of the state: Design & implementation decentralization

- Fiscal challenges:
  - Deficit local revenues
  - Dependence on central gvt for transfers (to close the gap + to address interregional resource disparities).
  - Without proper fiscal decentralization other decentralization dimensions not realistic
- Administrative/Institutional challenges
  - The cost of local and intergovernmental administrative bodies, systems, mechanisms, HR, to manage the fiscal and political functions
  - The overlap, articulation, contradictions with central gvt rules/procedures
  - Coordination problems
- Political challenges:
  - Political struggles decentralized
  - Decentralization implies reduction in account of local gvt. to central gvt. If reduction is not replaced by increased local accountability there is a problem



# Donors as part of the problem

- Pushy
  - Preferences not fully aligned
  - Power imbalance
  - Prescribing blue-prints (institutional mono-cropping)
- Impatient
  - Change NOW !
  - Pressure for results
- Unpredictable
  - Commitments versus disbursements
  - Short term engagements (projects) versus long term expectations (development and institutional performance)
- Uncoordinated – fragmented
  - High transaction costs

## Local level challenges

- In the absence of a strong central state and sound policies for development, how much can the local level do and what can they achieve?
- Capacity issues : but how much of the problems are really just capacity problems?
- How much space is there really for participation, can the local outperform the wider context, even in a context of decreasing freedom?
- Can you develop through projects?

## In sum

- Donors:
  - DO NO HARM: Get out of the kitchen ! Align and harmonize
  - Money can't buy you change, has to come from within.
  - Realism, context-sensitivity, put things in perspective
  - Beyond projects – towards budget support
- Local governments: Acknowledge constraints, identify entry points to make a difference
  - Valorizing the 'proximity' function: local information, poverty diagnostics, identifying productive hubs, bringing together developmental alliances (private sector, civil society, gvt)
  - Experiment downstream: from projects to policy proposals
  - Lobby and advocacy 'up-stream' (macro-economic investments and regional technical support)



**Thank you**

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