

EMPOWERING THE POOR

Local Governance for Poverty Reduction

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United Nations Capital Development Fund

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Acronyms and Abbreviations

AGF	African Governance Forum
BSF	Belgian Survival Fund (Belgium)
CCA	Common Country Assessment
CDD	Community Driven Development (World Bank)
CDF	Comprehensive Development Framework (World Bank)
DANIDA	Danish International Development Assistance
DFID	Department for International Development (UK)
HDI	Human Development Index
HIPC	Heavily Indebted Poor Countries
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
LDCs	Least Developed Countries
LDP	Local Development Programme (UNCDF)
LDF	Local Development Fund (UNCDF)
LG	Local Government
LGU	Local Governance Unit (UNCDF)
LICUS	Low-income Countries under stress (World Bank)
MDGs	Millennium Development Goals
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
OECD	Organisation for Economic Co-operation and Development
PRSP	Poverty Reduction Strategy Papers
SFs	Social Funds
SIDA	Swedish International Development Cooperation Agency
SWAp	Sector Wide Approach
UNCTAD	United Nations Conference on Trade and Development
UNICEF	United Nations Children's Fund
UNCDF	United Nations Capital Development Fund
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa

Note: Acronyms for UNCDF-sponsored country programmes are listed in the Annex.

Foreword

In order to better meet its own mandate to reduce poverty, the United Nations Capital Development Fund (UNCDF) has, since 1995, come through intense and far-reaching changes. Today, it is specialized in two areas: support to decentralized public investments (through local governance) and support to small-scale private investments (through microfinance). The focus on these two areas allows UNCDF to ensure the best possible impact on poverty reduction and on building capacity of national and local stakeholders.

In local governance, UNCDF investments are meant to foster a people-centred approach, promote good governance at the national and local levels, reinforce human and institutional capacities, reduce vulnerability, and protect the environment. UNCDF activities are also geared to mobilize additional financial resources. In supporting decentralized public investments, UNCDF pursues the global objective of poverty reduction. The main concern is to ensure better access of the poor to essential infrastructure and socio-economic services in the sectors of health and education, road transport, markets, water supply and the management of natural resources. In addition, UNCDF recognizes the need to promote participation at the local level, in order to allow local populations to identify solutions that address the local context. It is necessary to ensure the effective participation of women in the decision-making processes, decisions that will affect their daily lives and the future of their children and families. It is also important to ensure the participation of civil society as a whole and to build the capacities of local governments and local officials, so that public investments are managed in the common interest.

UNCDF's support to decentralized public investments provides for the transfer of financial resources to local governments — resources equivalent to the fiscal resource base that local governments would access if the decentralized tax systems were to produce the expected results. The main objective here is to enable local governments and their members to acquire — through learning by doing rather than through a theoretical process of transfer — the knowledge and experience needed

to manage decentralized public investments. On-the-job learning covers several aspects: participation of local populations in defining their development priorities; local planning and budgeting; transparent and accountable bidding, procurement processes and maintenance; as well as quality control of work completed. This also requires the active participation of the various local partners: private enterprises, non-governmental organizations and community associations.

Given the complex aspects of poverty today, UNCDF stresses the importance of different dimensions of complementarity and partnership:

- Complementarity between international, national and local resources to finance decentralized public investments;
- Complementarity between decentralized investments, sector investments and community-based investments from the point of view of optimizing the use of scarce resources to ensure maximum impact on poverty reduction; *and*
- Complementarity between the interventions of various actors, by taking into account their respective knowledge and their specificity.

UNCDF's comparative advantage is in its piloting of small-scale decentralized public investments and using them to help pave the way for their replication on a larger scale by other development partners. This is the reason we attach such a high priority to our complementarity with other development partners.

The preparatory committee of the Fifth African Forum (AGF-V) on 'Local Governance for Poverty Reduction in Africa' organized by the Africa Bureau at UNDP, approached UNCDF to write a discussion paper, which was subsequently presented to the Forum in Maputo in May 2002. The UNCDF contribution helped facilitate a structured discussion of comparative national experience in promoting local governance as a way of reducing poverty.

The Forum provided a good platform for dialogue with African governments, civil society, Non-Governmental Organizations and donor partners. It also allowed the building of consensus on the state of governance at national and regional levels and its relationships with poverty reduction.

Enriched by the perspectives highlighted during the Forum, the UNCDF Local Governance Unit expanded the paper it had prepared for this conference into the document you now hold in your hands. We hope this comprehensive document will stimulate further action-oriented exchange and debate on the critical linkages between local governance and the reduction of poverty.

A handwritten signature in black ink, appearing to read 'Normand Lauzon', with a stylized, cursive script.

Normand Lauzon
Executive Secretary,
United Nations Capital Development Fund

Overview

The UNCDF approach to poverty reduction should be viewed against the backdrop of the current international discourse on poverty. Part I of this document sets the stage, by identifying the main elements of the broad debate. The alleviation of poverty has, in recent years, become one of the highest priorities of international development. Concurrently, the definition of poverty has evolved together with a better understanding of the nature of poverty itself and its underlying determinants.

Chapter 1 analyzes some of the most important current conceptual frameworks and initiatives related to poverty reduction and identifies some of the approaches taken by major international and bilateral organizations. By focusing on a new understanding of poverty and its underlying factors, these frameworks and initiatives have achieved a broad consensus on the issues related to poverty and the challenges ahead.

Chapter 2 identifies a number of key cross-cutting issues: the multidimensionality of poverty; the relationships between democratic decentralization and poverty and between poverty and environment; the role of civil society; the importance of political commitment to favour democratic governance; sustainability; the need for empirical evidence concerning the connections between democratic decentralization and poverty reduction; and the role of partnership and coordination.

Chapter 3 analyzes the two basic conceptual dimensions of ‘poverty’ and ‘local governance’ and explores the basic argument of the comparative advantages of decentralized governance in tackling poverty. It argues that, although empirical evidence is mixed, a greater involvement of local populations in decision-making, through democratic decentralization, may significantly contribute to significant poverty reduction.

Part II returns to the overarching goal of helping to reduce poverty through local development programmes. In local governance, the UNCDF intervention is characterized by a model based on building partnerships with programme country governments, local authorities and communities. It also presents the UNCDF understanding of poverty and its determinants as well as its own strategy for poverty alleviation.

Chapter 4, by addressing the conceptual framework, explores the underlying reasons and assumptions of the UNCDF focus on local gover-

nance and local governments in poverty reduction. While fully acknowledging the multi-dimensional aspect of poverty, UNCDF programming directly addresses three major dimensions of poverty or distinct forms of deprivation: poverty as a lack of power, poverty as inadequate access to social services and poverty as insecure livelihood and vulnerability to environmental risks and poor access to infrastructure. Carried out in close collaboration with UNDP and national governments, the UNCDF approach aims at reducing poverty by demonstrating that sound institutional arrangements at local level, together with increased opportunities for better economic performance, may lead to sustainable rural livelihoods and strengthen the participation of the poor in local political life and decision-making.

Chapter 5 stresses key perspectives on poverty and local governance, by emphasizing the comparative advantages of local, elected authorities in designing, managing, supervising and monitoring local development measures and initiatives aimed at alleviating poverty. In the context of newly-established democracies, with or without the entire set of formal decentralization reforms, UNCDF initiatives have an experimental character aimed at: defining the role of local governments in local development and poverty reduction, supporting administrative and political decentralization, fostering the impact of local governance on public service, developing institutions, building local capacity and strengthening fiscal decentralization.

Chapter 6 defines the key characteristics of the UNCDF framework for action. A flexible strategic tool, the 'Local Development Programme' (LDP) developed by UNCDF, aims at supporting, in a coherent manner, local development, decentralized natural resource management and decentralized planning and financing as well as at providing local governments with adequate block grants for public investment. The whole approach is based on a number of integrated elements, such as: the necessary reforms, which, both as pre-conditions and accompanying measures, are intended to create a clear and enabling environment; different and complementary elements of local governance (i.e., local empowerment, promotion of local economy, and local social governance) and their set of deliverables; local capacity building; and local institutional development. The adoption of a step-by-step learning approach makes it possible to target the poor and to address, in a flexible manner, the variety of the conditions of being/becoming poor.

Chapter 7 discusses general issues related to the sustainable outcomes of the UNCDF approach and its contribution to institutional consolidation. A major point raised is that local governance can help tackle poverty but is influenced by macro-economic dynamics and national policy direction. These cautions therefore include macroissues, methodological problems and the interpretation of the institutional context. The chapter attempts also to give a positive answer to the fundamental assumption that local governance, through the instrument of decentralization, dramatically improves the conditions of the poor.

The Conclusion discusses current and potential contributions of the UNCDF approach to the achievement of the Millennium Development Goals (MDGs) and Poverty Reduction Strategy. The Annex provides detailed information about current local governance programmes supported by UNCDF, often in collaboration with other partners.

EMPOWERING THE POOR

Part I : Setting the Stage

Towards a better understanding of poverty and governance

1.1 GENERAL BACKGROUND

One of the highest priorities of international development is to reduce poverty. In recent years, the definition of poverty has evolved together with a better understanding of the nature of poverty itself and its underlying determinants.

In 1990, the World Bank's *World Development Report* gave a key role to poverty reduction in development by integrating in its definition of poverty not only low income, but also 'capabilities', such as health, education and nutrition, and by stressing the interactions among these dimensions. This broadening of focus was echoed in the United Nations Development Programme (UNDP) annual Human Development Reports, first published in 1990, which played a crucial role in refocusing attention on the different aspects of poverty and its distribution.¹ The 2000 World Development Report further extended the concept of poverty to include the dimensions of "vulnerability, voicelessness, and powerlessness." The range of policies and measures intended to alleviate poverty was thus further broadened.

In spite of this unprecedented international attention to poverty issues and the more refined understanding of the conditions of the poor and after several decades of international aid, poverty is more widespread than ever and continues to be "pervasive, intractable, inexcusable."² We live in a world marked by "deprivation, destitution and oppression."³

The 2002 report of the United Nations Conference on Trade and Development (UNCTAD) points out that a declining level of aid characterized the 1990s.⁴ A number of development initiatives have not been able to channel benefits to the poor. Furthermore, it is widely acknowledged that the crucial issues of rendering the poor capable of identifying their own priorities and solving their own problems, and of fully involving them in decision-making processes have not adequately been addressed.

1. The endnotes begin on page 131 and are organized by chapter.

The *Rural Poverty Report 2001* of the International Fund for Agricultural Development (IFAD) states that progress in reducing poverty in rural areas “has stalled.” In the 1990s, such progress fell to less than one third of the rate (six times less in sub-Saharan Africa) needed to meet the United Nations’ commitment to halve world poverty by 2015. Although three quarters of the world’s 1.2 billion extremely poor people live and work in rural areas, aid to agriculture, their main source of income, has fallen by two thirds. The World Bank *2003 World Development Report* estimates that of the world’s six billion people, 2.8 billion live on less than US\$2 a day.⁵ Moreover, during the next 25 years, the human population is predicted to grow by a further two billion, 97% of which will be in the countries of the developing world.

1.2 UNCDF APPROACHES

Along with the majority of international aid institutions in the 1970s and 1980s, UNCDF viewed large investments in physical capital and infrastructure as the primary means of development and poverty reduction. Eventually, with the growing interest in human capital, its initiatives focused on education and health services.

At the end of the 1980s and in the 1990s, in the aftermath of the United Nations Conference on Environment and Development (Rio de Janeiro, June 1992) and the establishment of Agenda 21, UNCDF started the definition of a development concept and a methodology, called ‘participatory eco-development’. The concept essentially stressed the linkages between society and environment to empower poor village communities and user groups in the management and protection of their productive environments. In the 1990s, with governance and institutions being added to the international agenda, UNCDF developed the Local Development Fund (LDF) strategy to stress the role of local governments in infrastructure provision. The two strategies were presented in the 1995 UNCDF policy paper *Poverty Reduction, Participation and Local Governance: The Role for UNCDF*. The ultimate aim of this strategy, consistent with the specific mandate of UNCDF, was to reduce rural poverty in the Least Developed Countries (LDCs). This goal was to be achieved by providing support to local institutions of governance. Two programming instruments were central to this strategy: local development funds and eco-development projects, with microfinance and more conventional infrastructure projects as supporting interventions.

There was a clear need to research and evaluate the two strategies. For instance, although the eco-development strategy had the role of putting natural resource management and livelihood issues on the UNCDF agenda, it failed to achieve a sustainable approach to tackling poverty and strengthening local governance. Furthermore, its institutional arrangements tended to focus exclusively on community institutions and to bypass local institutions of the state.

The eco-development experiment generated several positive lessons. It demonstrated, for example, that local institutions had the skills and capacities to participate fully in environmental decision-making processes and to manage sustainable initiatives.⁶ Thus, the role of the 1998 policy paper *Taking Risks* was to address explicitly the basic arguments of the previous document, and to devise a more coherent and sustainable institutional strategy for local development. This entailed stressing the necessity of “a more pluralist strategy to support local governance, by widening the array of institutional partners involved alongside local authorities and by strengthening collaboration and accountability between them.”

1.3 CONCEPTUALIZATION OF POVERTY

Although the gravity and the multidimensionality of poverty are widely accepted, many international agencies and most national governments still use an income-based definition of poverty and continue to identify and measure poverty through income-based poverty lines.

Definitions of poverty have evolved over recent decades. A large debate, for instance, has addressed the advantages of distinguishing ‘absolute poverty’ (i.e., the minimum necessary to guarantee the physical efficiency of a person) from ‘relative poverty’ (i.e., the average standard of living of a given society). In addition, the distinction between ‘structural poverty’ (a long-term situation) and ‘transitional poverty’ (a temporary situation affecting people ordinarily able to ensure their self-sufficiency) is becoming less clear. A combination of the two is occurring where lack of access to and control of land and other productive resources is the major cause of poverty (and not lack of access to household or paid labour, as in the past, at least in the case of sub-Saharan Africa, when land was considered an unlimited good). Consequently, the poor are increasingly trapped in a downward spiral from impoverishment to destitution.

Thus, definitions of poverty are becoming subtler. For instance, one of the most quoted definitions is one provided by the World Bank: poverty is an “unacceptable human deprivation in terms of economic opportunity, education, health and nutrition, as well as lack of empowerment and security.” In addition, it should also be stressed that, on the one hand, the nature of poverty reduction policies is clearly influenced by the way the poverty is framed.⁸ In the 1960s, for instance, the primary means of development were large investments in physical capital and infrastructure. In the 1970s and the 1980s, improvements in health and education were considered as key factors to increasing the income of the poor. On the other hand, the perception of poverty is also often influenced by the reason for defining it (e.g. if it is for direct intervention or merely for understanding it).⁹ The earlier, narrower focus was on more objective measures of individual or household income and consumption. There is a growing awareness that understanding poverty requires an appreciation of other, non-economic facets of the human condition. Thus, both relative measures and subjective views can be as important as absolute and objective indicators. For example, there is now a wide consensus that in assessing poverty, education and health outcomes are comparable with income.¹⁰

Other dimensions of human welfare are supplementing the mono-dimensional concern about income or consumption poverty, such as access to basic public services and security, empowerment and sense of self-worth. A recent review of 43 participatory poverty assessments worldwide concluded that poor people report their condition largely in terms of material deprivation: not enough money, employment, food, clothing and housing, combined with inadequate access to health services, education and clean water. They also give weight to non-material factors such as security, peace, dignity and power to control their own destinies.¹¹ A similar multi-dimensional view, focusing on social exclusion is also of interest.¹² All of these factors must be merged with the growing consensus that poverty should also be viewed through the lens of “human capability.”¹³

The increasing use of qualitative techniques (for instance, the World Bank’s *Poverty Assessments*) brings into question the relevance of quantitative techniques.¹⁴ In fact, a major debate is constituted by the articulation of quantitative and qualitative approaches in measuring poverty and their respective benefits and costs. One of the most comprehensive ways

of measuring poverty has been related to both nutrition and income: for instance, it is argued that the poor are those with income per person too low to afford 2,250-2,500 kcalories per day.

The current debate on the multi-dimensionality of poverty tends to minimize the scope of such definitions. It is argued, for example, that 'quantitative expression' does not reveal people's lives; calorie intake and disposable income do not define all the dimensions of the lives of the poor.¹⁵ It could also be argued that these measures not only omit differences (work intensity or environmental conditions), but also crucially fail to take into account the social environment.¹⁶

1.4 PERCEPTIONS OF POVERTY

In the search for an adequate understanding of poverty, a general consensus has been achieved around the following paradigms:

- Poverty, as a multi-dimensional deprivation (see Inset 1), is the inability of people to meet economic, social and other standards of well-being. The multiple causes of poverty are either internal and structural or induced (man-induced and/or policy-induced);
- Poverty is certainly linked to low income, lack of education and poor health. But, there is a growing emphasis on considering poverty as a direct result of inadequate policies and ill-designed development programmes, such as those preventing sustainable access to social services or control over productive assets (e.g. land and financial resources) and those hampering political empowerment;
- Poverty is not simply a technical problem, but foremost a highly political one. It also refers to a number of issues at every level of government. In order to be effective, policies have to combine sound technical analysis with the political support and legitimacy that emanates from the poor themselves.¹⁷ Unequal social, economic and political relationships between 'the haves' and 'the have-nots' explain poverty, and being poor is at the lower end of the relationship. Therefore, as being poor means being powerless, combating poverty necessarily means empowering the poor;
- The poor do not constitute an homogenous group. Furthermore, their coping and survival strategies are different and in constant flux.

INSET 1: POVERTY AS A MULTI-DIMENSIONAL DEPRIVATION

Capabilities	Characteristics
Economic	Ability to earn income, to consume, to have assets and access to food, security, material well-being and social status.
Human	Based on health, education, nutrition, clean water and shelter (core elements of well-being as well as crucial means to improving livelihoods).
Political	Human rights, a voice and some influence over public policies and political priorities; deprivation of basic political freedoms or human rights is a major aspect of poverty.
Socio-cultural	The ability to participate as a valued member of a community. These capabilities refer to social status, dignity and other cultural conditions for belonging to a society that is highly valued by the poor themselves.
Protective	Ability to withstand economic and external shocks.

(Source: OECD/DAC 2001:26)

In response to the subtler and more holistic understanding of poverty, there is a corresponding consensus that poverty-reduction strategies must also be holistic and multi-dimensional: they have to address not only the economic aspects of poverty, but also its social and political dimensions, like deprivation, disempowerment and social exclusion. From an operational point of view, it is also pointed out, “the very conception of poverty as material itself exaggerates likely obstacles to anti-poverty action.”¹⁸

The *World Development Report 2000/2001: Attacking Poverty* proffers two constellations for the macropolicy framework on poverty reduction:

- One concerns economic policy, pure and simple. Thus, “growth (is) the engine of poverty reduction” and the bottom line is household or per capita income;

- The other centres on democracy and the empowerment of the poor and on the ways of creating or scaling up organizations of the poor so as to articulate their interests in the political and market realms and to make state organizations more responsive to citizens.¹⁹

The latter area, by stressing the political character of poverty, is particularly important, as it is the area being pursued within local governance. It stresses the fact that poverty is perpetuated by powerlessness, injustice and exclusion and that ‘empowering’ the poor is to strengthen the capacity of the poor “to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives.”²⁰

Since the early 1990s, the Human Development Index (HDI) has been used to measure a country’s achievements in three aspects of human development: longevity (life expectancy), knowledge (adult literacy) and a decent standard of living (per capita income) determine the rankings of countries and measure different levels of development. Although subject to some methodological controversy, the HDI has broadened the range of indicators, while retaining the advantages of quantification and international comparability.²¹

The current debate also stresses the fact that “the multidimensional conceptualization of poverty” may lead to some operational pitfalls, as the notion of poverty becomes so broad that a distinction between ‘the poor’ and ‘the non-poor’ is difficult.²² (Can somebody — for instance, a woman — with a relatively adequate level of income and of education but suffering from culturally-based forms of exclusion from decision-making and from local politics be considered as ‘poor’ as the person who, without necessarily being culturally marginal, lives on less than US\$1 a day?) In short, the broader and more holistic the concept, the harder it may be for policymakers to devise clear operational strategies and to allocate resources.

1.5 FOCUS ON LOCAL GOVERNANCE

In the last decade, the concept of ‘democratic local governance’ has become an integral part of local development approaches, and has provided a basic rationale for donors’ support to decentralization reforms and local governments’ capacity building. The concept is increasingly seen as a precondition for poverty reduction strategies, although its links to poverty reduction are not always explicit.

INSET 2: ASPECTS OF GOOD GOVERNANCE

For the World Bank, ‘good governance’ is “epitomized by predictable, open and enlightened policy-making, a bureaucracy imbued with a professional ethos acting in furtherance of the public good, the rule of law, transparent processes, and a strong civil society participating in public affairs. ‘Poor governance’, however, is characterized by arbitrary policy making, unaccountable bureaucracies, unenforced or unjust legal systems, the abuse of executive power, a civil society unengaged in public life, and widespread corruption.”²³

As “a broader notion than government,” ‘governance’ “refers to the process whereby elements in society wield power and authority, and influence and enact policies and decisions concerning public life, and economic and social development.”²⁴

Good governance at the local level (or good local governance) is therefore a set of organizations and a set of mechanisms/procedures intended to manage local public affairs.

Today, most international organizations (see Inset 2) seem to have fully adopted the concept of good governance; its utilization reflects the general trend to incorporate political concerns into local development. Though there are different definitions, there is a general consensus about the essential dimensions of good governance:

- *Participation* of organized and individual citizens (or empowered local stakeholders) in local public sector decision-making (this includes partnership among all local stakeholders);
- *Transparency* or information sharing, open behaviour, clear decision-making procedures;
- *Efficiency* of local authorities in achieving their objectives (‘pro-poor’ development) or in managing their public resources;
- *Equity* or impartial and equal treatment of similar cases by local authorities;

- *Accountability* of both elected representatives and of civil servants: ‘vertical accountability’ is where elected representatives will voice the interests and priorities of their constituents, and will keep the latter informed of local government business; ‘horizontal accountability’ is where local civil servants will work to implement priorities and plans established by local elected representatives, whom they will keep informed, and who will sanction them if they do not perform;
- *Gender-sensitivity* in governance is intended to increase women’s participation in politics – not only in formal political structures but also in civic engagement. It is also meant to strengthen gender-awareness and capacities among both women and men politicians and civil servants; deliver services addressing the specific needs and interests of women and men in the community which require a gender-sensitive economic development, development planning and resources allocation; and create awareness of women’s rights.²⁵

The very concept of ‘good governance’ at local levels denotes the quality, effectiveness and efficiency of local administration and public service delivery; the quality of local public policy and decision-making procedures, their inclusiveness, their transparency, and their accountability; and the manner in which power and authority are exercised at the local level.

In practical terms, the new focus on good governance raises four separate arguments:

- i) The term ‘local government’ describes different forms of sub-national government authority, from provincial to village councils, which have been created by statute;
- ii) Local government is the essential institutional building block towards sound local governance;
- iii) Local government must embrace the informal and formal business sectors, to include the potentially rich variety of civil society — this including the vital role of NGOs — and uncovering the latent potential of various possible stakeholders, user groups or community groups;²⁶

- iv) Local governance empowers local communities, through liberalization and equity, to achieve community-driven economic and political development, focused on the reduction of poverty. In this manner, the successful planning, delivery, operation and maintenance of basic infrastructure and services to help poverty reduction becomes a result of such local governance.

Democratic local governance does not involve merely a simple transfer of power and a shift of responsibility from the centre to the local; it is rather a way of connecting the local into processes of national government and governance. Therefore, current approaches stress the need to develop not only local government, but also (or mostly) local governance. The concept involves “the vertical transfer” of responsibilities and resources from central to local government, as well as the development of “horizontal networks” between local governments and local non-state actors.²⁷ Local democratic governance needs efficient and effective national governance to provide direction, shape practices and regulate relationships.

SUMMARY

This chapter argued that the definition of poverty has shifted from lacking income and material deprivations, to a more subtle, multidimensional and qualitative understanding, including access and control over productive resources, human deprivations and a lack of empowerment and security.

As the definition of poverty has evolved, strategies to reduce poverty have also expanded from investment in physical capital and infrastructure to improvements in health and education and to local management and the protection of productive environments. Another important development is the attention given to including the poor in planning and implementing their own local development plans. These new paradigms have urged many development organizations to devise a more coherent and sustainable institutional strategy for poverty reduction.

The next chapter looks at major pro-poor initiatives and tools set up by select multilateral and bilateral development organizations.

2.1 INTRODUCTION

Current poverty reduction strategies operate within the broad context of an international debate on public policy, which is supported by a number of important initiatives and discourses. This chapter presents some of the most important among them as well as the poverty reduction strategies of major multilateral and bilateral organizations. While there is much variation among them, the approaches to poverty reduction described here all reflect recent progress in understanding poverty and seek to improve poverty alleviation through enhanced planning, coordination and national ownership. In some cases, these approaches give democratic governance and decentralization a leading role in poverty reduction.

2.2 Major visions, frameworks and initiatives

Within the last decade, several new plans have emerged on a global or regional scale to breathe new life into on-going efforts to reduce poverty in developing countries. While some of the intentions of these visions, frameworks and initiatives will work in conjunction with good local governance efforts, others may create disincentives for decentralization.

2.2.1 Millennium Development Goals

Pioneered by the United Nations, the ‘Millennium Development Goals’ (MDGs) is a comprehensive agenda for reducing the causes and manifestations of poverty by 2015. The agenda, established by world leaders at the United Nations Millennium Summit and adopted by the General Assembly in September 2000, includes eight goals, with a total of eighteen specific targets (see Inset 3).

The MDGs constitute a vision and a challenge for the development community. The MDGs provide a framework for the entire UN system to work coherently together toward a common end. The Declaration “embodies the common vision of the Members of the United Nations for

a more peaceful, prosperous and just world, in which all human beings can live better and safer lives.”²⁸

The *Implementation of the United Nations Millennium Declaration* declares that the “world (is) divided between rich and poor as never before in human history” and that “one sixth of humanity struggles for daily survival, in a life-and-death battle against disease, hunger and environmental catastrophe.” While acknowledging that progress toward the goals has been so far mixed — insufficient and inefficient public spending and declining development assistance being the main reasons — the MDGs call for “a coordinated strategy” between states, international institutions and agencies, including those of the United Nations, the private sector and non-governmental organizations. The declaration encourages concrete measures in favour of “the poor, the vulnerable, those trampled by conflict or suffering under tyranny and discrimination.”

2.2.2 The “Heavily Indebted Poor Country” initiative

The ‘Heavily Indebted Poor Country’ (HIPC) initiative, launched in 1996 by the World Bank and the International Monetary Fund (IMF), was meant to look for new ways to remove the debt of the poorest countries. Basically, HIPC seeks to link debt relief and poverty reduction.

Debt relief is considered an integral part of broader efforts to implement outcome-oriented poverty reduction strategies using all available resources. To benefit from the initiative, debtor countries are required to follow strict procedures. Debt is reduced only when countries reach the completion point. One of the major inputs of the initiative is the principle that the development of a number of countries is severely constrained by debt.²⁹

Progress on the HIPC initiative has been mixed. Some critics say the initiative tends to be used on a sectorial basis and does not provide a coherent framework for poverty reduction. By the end of April 2002, according to a recent World Bank report,³⁰ only five countries had moved to the completion point. Furthermore, the slowdown of the world economy has contributed to increasing the amount of debt relief required.

2.2.3 The Poverty Reduction Strategy Papers

The HIPC initiative led to the development of Poverty Reduction Strategy Papers (PRSPs) by country authorities for submission to the World Bank

INSET 3: MILLENNIUM DEVELOPMENT GOALS

Goal	Target
1. Eradicate extreme poverty and hunger	■ Reduce by half the proportion of people living on less than a dollar a day. ■ Reduce by half the proportion of people who suffer from hunger.
2. Achieve universal primary education	■ Ensure that all girls and boys complete a full course of primary education.
3. Promote gender equality and empower women	■ Eliminate gender disparity in primary and secondary education .
4. Reduce child mortality	■ Reduce by two-thirds the mortality rate among children under five.
5. Improve maternal health	■ Reduce by three quarters the maternal mortality ratio.
6. Combat HIV/AIDS, malaria and other diseases	■ Halt and begin to reverse the spread of HIV/AIDS. ■ Halt and begin to reverse the incidence of malaria and other major diseases.
7. Ensure environmental sustainability	■ Integrate the principles of sustainable development into country policies and programmes; reverse the loss of environmental resources. ■ Reduce by half the proportion of people without sustainable access to safe drinking water. ■ Achieve significant improvement in the lives of at least 100 million slum dwellers.
8. Develop a global partnership for development	■ Deal comprehensively with developing countries' debt problems. ■ Provide access to affordable essential drugs.

and IMF Boards.³¹ Introduced within the context of obtaining debt relief under the HIPC initiative and within the framework of the World Bank's 'Comprehensive Development Framework' (see below), PRSPs have become the principal planning framework in many countries.³²

The PRSP approach was conceived as an effective means for donors to interact with recipient countries in order to stimulate effective poverty reduction.³³ According to its principles, poverty reduction is the priority issue in development. Based on the experiences of international development cooperation, the PRSP supports "the current trend towards cross-sectorial, multi-donor, country driven and highly participatory approaches to national-level strategic planning" and its objective is "to create a solid, comprehensive and commonly agreed framework for all actors involved in the development process in order to improve the institutional and political conditions of the countries concerned as well as increase transparency and enhance donor coordination."³⁴

At the heart of a PRSP are the 'priority public actions,' which are designed to raise sustainable growth and reduce poverty. The PRSP describes a country's macroeconomic, structural and social policies and programmes to promote growth and reduce poverty, as well as associated external financing needs. Governments prepare PRSPs through a participatory process involving civil society and development partners, including the World Bank and the International Monetary Fund.

Several principles underlie the development and implementation of poverty reduction strategies. Thus, it is pointed out that strategies:

- Should involve broad-based participation by civil society and the private sector in all operational steps;
- Are results-oriented, and focused on outcomes that would benefit the poor;
- Must be comprehensive in recognizing the multidimensional nature of poverty, prioritized so that implementation is feasible, in both fiscal and institutional terms;
- Are partnership-oriented, involving coordinated participation of development partners (bi- and multilateral organizations, as well as non-governmental organizations [NGOs]) ;
- Should be based on a long-term perspective for poverty reduction.

The four critical parts that must be included in the PRSP are: (i) macro and structural policies to support sustainable growth in which the poor participate, (ii) ways to improve governance, including public sector financial management, (iii) appropriate sectorial policies and programmes and (iv) realistic pricing and appropriate levels of funding for the major programmes.

Despite its relative success, several weaknesses of the PRSP approach have been identified. For instance, according to the 2002 United Nations Conference on Trade and Development (UNCTAD) Report on LDCs, *Escaping the Poverty Trap*, PRSPs are not fully grasping the opportunity for rapid reduction in extreme poverty in the LDCs through sustained economic growth. The report shows that extreme poverty is pervasive and persistent in most LDCs. The incidence of extreme poverty is highest in those LDCs that are dependent on primary commodity exports because most of the LDCs are caught in an international poverty trap.

Another problem is that in some countries there was no ownership of the current processes leading to PRSPs. According to the conclusion of a recent international workshop,³⁵ “the fundamentals of the macroeconomic framework (are) determined elsewhere; the operational aspects (are) beyond the control of the poor; stakeholders (are) only consulted but their advice rarely heeded; and the PRSPs (tend) to be one-off efforts without continuous engagement on the part of the government and the civil society.”

2.2.4 Sector Wide Approach

The project-based approach of the 1990s has recently been seen as contributing to the fragmentation of development assistance and leading to the insufficient attention of donors to intra- and inter-sectorial issues and to the recipient country's needs and preferences. Today, the ‘Sector Wide Approach’ (SWAp) represents a mechanism that development agencies are using in order to operationalize the new programme-oriented thinking. Several bilateral agencies, notably in the Nordic countries and the Netherlands, have explicitly adopted the principles of the sector-wide approach into their development assistance policies.

It has often been emphasized that SWAp is an approach to development assistance rather than a set of clearly defined rules and procedures.³⁶ Other observers argue that SWAp is supposed to be a national

approach and that it stresses the fact that donors are expected to be accommodated within its structure rather than encouraging free-standing projects.³⁷

The central idea of the SWAp is that in a given sector in a developing country, all significant donor interventions should be consistent with an overall sector strategy and sector budget that have been developed under the leadership of the recipient country.

There is evidence that the approach has favourable pro-poor impacts, especially in increased coverage, inclusiveness and quality of allocation of resources.³⁸ The sector programmes that seem to have successfully addressed the problems of the poor are “those where reaching the poor with improved services is an explicit and major objective, if not the over-arching objective of the programme.”³⁹ It has also the advantage of stressing a number of weaknesses of the international development community, among which the following are particularly important:

- Inadequate local ownership of development programmes;
- Lack of sustainability and institutional development;
- Waste of development resources;
- Weak public sector management;
- Patchwork management of development assistance.

There is a potential clash between SWAp and decentralization approaches (in terms of planning and management, for instance), negatively affecting decentralization policies and full involvement of sub-national governments in decision-making. SWAp are usually supervised by one key government ministry or agency responsible for planning the sector strategy. One problem is that “the incentive structure provides few rewards to officials for behaving in a cross-sectorial way” and also “the multi-sectorial vision tends to get increasingly diluted as the programme moves towards detailed design and then implementation.”⁴⁰ Furthermore, there is a danger that sector ‘basket funds’ remain at the central level under control of sectorial ministries, rather than being channeled to local authorities.

2.2.5 The New Partnership for Africa's Development

A major high-level, pan-African initiative, called the 'New Partnership for Africa's Development' (NEPAD) puts together a set of proposals aimed at eradicating poverty, generating sustainable economic development and enabling Africa to participate actively in world affairs. Major topics covered by NEPAD are democratic governance, infrastructure development, education, poverty reduction, agriculture, and environment.

Leaving aside the discussions of whether or not African countries, already engaged with PRSP, may benefit from another global initiative, it is important from UNCDF perspective to stress a few key elements of NEPAD:

- Commitment to democracy and human rights: "development is impossible in the absence of true democracy, respect for human rights, peace and good governance;"
- Strengthening of the political and administrative framework of participating countries through the basic principles of democracy;
- Needs for institutional reforms focused on administrative and civil services, promotion of participatory decision-making, and measures to combat corruption;
- Importance of poverty-reduction strategies giving special attention to the poverty among women, the empowerment of the poor.

2.3 MAJOR CONFERENCES AND SUMMITS

Three major international conferences have been held over the past few years to discuss development issues and to underscore the importance of sustainable development through various strategies and goals. Unfortunately, none of these conferences explicitly highlighted the importance of good local governance in reducing poverty.

2.3.1 The Monterrey Conference

The 'International Conference on Financing for Development' (Monterrey, Mexico, March 2002) emphasized the need to increase the quantity and quality of aid and to create some consistency in the way donor countries provide their aid by identifying major policies

needed to mobilize domestic and international resources. In this sense, the Conference constitutes a major reference for current thinking on poverty.⁴¹ The main principles reaffirmed by the Conference are the following:

- Developing countries have the primary responsibility for their own development;
- Good governance and a sound, development-friendly economic strategy are paramount;
- An adequate economic environment should be conducive to private investment and economic growth;
- The poorest countries should be assisted to diversify away from the narrow range of primary commodities that have formed the overwhelming basis of their export trade;
- Developing countries will also have to invest heavily to meet the basic human needs of good health, adequate nutrition, schooling, access to basic amenities such as water and sanitation, gender equality and environmental sustainability.

2.3.2 The “Least Developed Countries” Conference

The Third United Nations Conference on the Least Developed Countries (Brussels, May 2001) adopted a *Programme of Action for the decade 2001-2010*.⁴²

The Conference, which addressed the needs of 49 LDCs and more than 600 million persons, stressed the fact that poverty reduction can only be achieved “through equitable and sustained economic growth and sustainable development based on nationally owned and people-centred poverty reduction strategies.” It also addressed the role of “good governance at the national and international level; the respect for all internationally recognized human rights, including the right to development; promotion of democracy; security through preventive diplomacy and the peaceful resolution of armed conflicts; gender equality; investment in health, education and social infrastructure; strengthening of productive capacities; and institution building are all essential in order to realize the vast and untapped human and economic potential in LDCs.”

The Conference also acknowledged the “special role” that the organizations of the United Nations have in the implementation of the Programme of Action, by recommending “the experience, expertise and resources of the system, including at the field level, should be appropriately utilized for this purpose.”

2.3.3 World Summit on Sustainable Development

When the United Nations General Assembly authorized holding the World Summit on Sustainable Development, it was hardly a secret— or even a point in dispute— that progress in implementing sustainable development had been extremely disappointing since the 1992 Earth Summit, with poverty deepening and environmental degradation worsening. What the world wanted, the General Assembly declared, was not a new philosophical or political debate but rather, “a summit of actions and results.”⁴³

Held in late August 2002, the “Johannesburg Summit” brought together tens of thousands of participants, including heads of State and Government, national delegates and leaders from NGOs, businesses and other major groups, to focus the world’s attention on the need for direct action toward meeting difficult challenges, including improving people’s lives and conserving natural resources in a world that is growing in population, with ever-increasing demands for food, water, shelter, sanitation, energy, health services and economic security.

The Johannesburg Summit laid the groundwork and paved the way for action. Yet among all the timetables and commitments that were agreed upon, “there were no silver bullet solutions to aid the fight against poverty and a continually deteriorating natural environment.”⁴⁴

Despite the lack of silver bullets, some important new targets were established at the conference, such as: to halve the proportion of people without access to basic sanitation by 2015; to use and produce chemicals by 2020 in ways that do not lead to significant adverse effects on human health and the environment; to maintain or restore depleted fish stocks to levels that can produce the maximum sustainable yield on an urgent basis and where possible by 2015; and to achieve by 2010 a significant reduction in the current rate of loss of biological diversity.

2.4 OVERVIEW OF STRATEGIES OF MAJOR MULTILATERAL ORGANIZATIONS

The strategies to reduce poverty used by major multilateral organizations such as the World Bank, UNDP, UNCTAD and IFAD reflect an understanding of poverty as a multi-dimensional problem as well as a growing attention to local realities, both in terms of needs and encouraging local leadership.

2.4.1 World Bank

At the World Bank, the numerous dimensions of poverty addressed by the 2000 World Development Report have triggered a complex range of initiatives, only some presented here. In addition, the Bank support to civil service reforms is also intended, by removing institutional impediments to market-led development, to contribute to poverty reduction.

Comprehensive Development Framework

The ‘Comprehensive Development Framework’ (CDF), launched in 1999, emphasizes the interdependence of all elements of development: social, structural, human, governance, environmental, economic and financial. The CDF is regarded as “a tool for improving country ownership and donor coordination in development cooperation.”⁴⁵ The PRSP process is considered as an instrument for implementing the CDF principles in low-income countries (the World Bank and IMF using PRSPs as “the basis for concessional lending and for debt relief” under the HIPC initiative).

The CDF approach advocates a long-term strategy lead by the developing country, both by owning and directing the development agenda. In an effort to reduce poverty more effectively, the CDF approach also encourages stronger partnerships among governments, donors, civil society, the private sector and other development stakeholders in implementing the country strategy; and a transparent focus on results to ensure better practical success in reducing poverty.

For the World Bank, the CDF is “an approach based on a country’s long-term holistic vision,” a new way of doing business and a tool to achieve greater development effectiveness in a world challenged by poverty and distress. In the short run, the CDF is intended to establish mechanisms to bring people together and build consensus, forge stron-

ger partnerships that allow for strategic selectivity, reduce wasteful competition and emphasize the achievement of concrete results.

Community-Driven Development

The ‘Community Driven Development’ (CDD) approach was designed to complement the efforts of sectorial programmes by harnessing the considerable social capital of communities (geographical entities) or groups with common interest (groups and associations).⁴⁶ By addressing the key issue of the empowerment of local populations, CDD endeavours to reduce a form of poverty in its own right, quite independent of its income effects. For CDD, “poverty reduction, broadly defined, requires processes that help local people improve their capabilities and functioning, that enable people to take charge of local affairs instead of being supplicants before higher authorities.”

CDD supports communities by providing them with untied funds, allowing them to choose their own priorities. But CDD also supports local governments, on the assumption that community empowerment based on donor-driven funds will not be sustainable and that it needs “to be embedded in a new institutional framework of local government,” providing a range of institutional arrangements concerning administrative, political and fiscal decentralization.

CDD is considered to be a ‘win-win’ situation; “if decentralization succeeds in accelerating economic growth, this could ultimately mean increased resources for the centre and all other levels of government.”

Social Funds

The term ‘Social Funds’ (SFs) refers to a variety of programmes or instruments: Social Emergency Funds (SEFs), Social Investment Funds (SIFs), and Social Action Programmes (SAPs). SFs are mostly multi-sectorial, stress employment generation and human capital formation, rely mostly on demand-driven schemes and focus primarily on social groups affected by adjustment. Social Funds aim to empower communities by enabling them to participate in the selection, implementation, and operation and maintenance of development projects. Such funds provide direct financing for community projects designed to quickly improve basic services and reduce poverty. Since 1987 the Bank has approved about 100 social fund projects worth US\$3.4 billion in more than 60 countries.⁴⁷

In some cases, SAFs have promoted decentralization where it was limited,⁴⁸ and eventually gave an increasing role to local communities and their programmes, with the support of NGOs. Their major characteristic is that they do not identify projects in advance, but instead respond to requests generated by local organizations. Not implementing projects, SFs promote specific activities, appraise projects or subprojects for funding using strict selection criteria, supervise implementation and monitor project effectiveness.

The Social Funds have contributed in a significant manner to poverty alleviation and to the debate on poverty. They “are illustrative of the widening spheres of intervention deemed to be legitimate under the rubric of poverty reduction, and the increasingly wide range of actors who are invited to have an active stake in poverty reduction policy.”⁴⁹

Poor targeting, over-centralization, doubtful sustainability, neglect of institutional development and inadequate sequencing are generally considered the major weaknesses of the Social Funds. As they are managed by temporary autonomous bodies, SFs have generally neglected the role of local governments. Targeting imbalances by region and social classes have been frequent. Although they responded to several proposals submitted by municipalities, they tended to short-circuit the very poor, because of the poor’s limited capacity to articulate their own needs.⁵⁰ Thus, the SFs tended to work better for communities or persons who were less poor.⁵¹ In addition, the SFs were not integrated into policies of local governments.

Rural development strategy

In October 2002, the World Bank’s Board of Executive Directors endorsed the strategy *Reaching the Rural Poor*, which now guides the Bank’s rural lending operations.⁵² The new strategy rests on the following four pillars: (i) focus on poor people; (ii) engage the entire rural area to address broad-based growth in both farm and non-farm activities; (iii) build alliances with all stakeholders; and (iv) address the impact of global developments in poor countries, such as trade policy, subsidies and climate change.

Agriculture is the main source of overall economic growth and poverty reduction in many poor countries. However, the strategy gives a crucial role to the non-farm rural economy, especially in countries that are under population pressure and face a scarcity of arable land. The man-

agement of natural resources is also considered a prerequisite for the sustainability of any rural development and poverty reduction effort.

The Low-Income Countries Under Stress Initiative

The Low-income Countries Under Stress (LICUS) initiative is another important World Bank initiative, which concerns countries characterized by very weak policies, institutions, and poor governance as well as by inadequate provision of basic services. Because governments in these countries lack the capacity or inclination to use finance effectively for poverty reduction, aid does not work well, “yet neglect of such countries perpetuates poverty in some of the world’s poorest countries and may contribute to the collapse of the state, with adverse regional and even global consequences. The challenge of aid effectiveness in LICUS is thus to use other instruments, supplemented by financial transfers where necessary, to promote change...” The approach seeks “to facilitate policy and institutional change, while improving basic social outcomes by focusing on a few reforms that are feasible in sociopolitical terms, around which capacity building and outcome monitoring can be coordinated.”⁵³ Strategies for LICUS should have two separate objectives: those aimed at improving policies, institutions, and governance; and those aimed at improving the provision of basic social services. The initiative advocates a relatively greater proportion of grants relative to loans in the Bank’s interventions.

2.4.2 United Nations Development Programme (UNDP)

In terms of poverty and poverty-reduction strategies, two key concepts have been recently stressed at the United Nations Development Programme (UNDP):

- i) ‘Human poverty’ is defined as a deprivation of essential capabilities such as a long and healthy life, knowledge, economic resources and community participation;
- ii) ‘Human development’ is considered to be a process that enlarges people’s choices including freedom, dignity, self-respect and social status.

UNDP supports MDG-scorekeeping and reporting at the country level. The Millennium Development Goal Reports (MDGRs) are meant to raise public awareness; promote study, scholarship, and debate around great development challenges; and forge stronger alliances, among other objectives.

Recently, UNDP has gradually shifted its country focus to the provision of ‘upstream’ development advisory services to partners.⁵⁴ According to the current UNDP Business Plan, these include: capacity-building; knowledge-networking and support for empowerment; and regional, multi-sectorial and participatory approaches. In the context of poverty reduction, this implies that country offices will undertake fewer ‘downstream’ project activities and place greater emphasis on micro-macro linkages. They will also support policy formulation and implementation for poverty reduction at national, regional and local levels. The offices will support capacity building and coordination for institutions to implement poverty reduction strategies (PRS) effectively, including PRS monitoring and assessments and advocacy activities that inform policy initiatives. Current high-profile advocacy outputs include the Global Human Development Report (HDR), National Human Development Reports (NHDRs), the Global and Regional Poverty Reports and studies of Basic Social Services prepared through participation in the 20/20 Initiative (in partnership with UNICEF), etc.

UNDP’s approach is to work with governments to ensure that the PRSPs are genuinely nationally owned and that they adequately reflect human development priorities. The IMF and the World Bank consider UNDP as a partner in the PRSP process, and look to UNDP for substantive support to Government (for instance in Laos, Rwanda, Tanzania, Zambia, Guinea-Bissau, Viet Nam), assessment and monitoring (Tanzania, Cambodia, Rwanda, Guinea-Bissau) and for local coordination of donors (Laos, Malawi) and NGOs (Cambodia, Zambia).

At UNDP headquarters, the Bureau for Development Policy (BDP) has been active in providing country offices with a range of policy advisory services for PRS and PRSPs, including feedback on and support for interim and full PRSPs in several countries, sharing PRS lessons learned from the activities of the now-concluded Poverty Strategies Initiative (PSI) and provision of funding support from the UNDP Thematic Trust Fund for Poverty Reduction will finance the following four main services: benchmarking and monitoring poverty; capacity development

for implementing participatory processes; policy advice and technical assistance to pro-poor policy reforms; and piloting and innovations for poverty reduction.

The 'Common Country Assessment' (CCA) and the 'UN Development Assistance Framework' (UNDAF) are intended to strengthen the coherence and effectiveness of the UN system's contribution to a country's development efforts.⁵⁵ In addition to the above, UNDP supports a number of poverty-related initiatives, such as:

- The Local Initiative Facility for Urban Environment (LIFE) aimed at enhancing local governance through, for example, the building of sustainable networks in the targeted communities.
- Together with the United Nations Economic Commission for Africa (ECA), UNDP has played a leading role in the organization of the fifth African Governance Forum (AGF-V) meeting in Maputo, and the preparation of a substantial paper.

2.4.3 United Nations Conference on Trade and Development

The United Nations Conference on Trade and Development (UNCTAD) was established in 1964 to integrate developing countries into the world economy.⁵⁶ UNCTAD is the focal point within the United Nations for the integrated treatment of trade and development and the interrelated issues in the areas of finance, technology, investment and sustainable development.

The 2002 UNCTAD report on the least developed countries *Escaping the Poverty Trap* argues that there is a major, but currently underestimated, opportunity for rapid reduction in extreme poverty in the LDCs through sustained economic growth. However, as most LDCs are stuck in an international poverty trap, this opportunity is not being realized. According to the report, poverty reduction requires a more complete transition to genuine national ownership and increased policy autonomy; a shift from the adjustment-oriented poverty reduction strategies that are emerging in the initial phases of the PRSP approach to development-oriented poverty reduction strategies; and a more supportive international environment. An alternative approach to the design of poverty reduction strategies should also focus on doubling average household living standards through growth-oriented macroeconomic policies and

the building of domestic productive capacities and strategic integration into the global economy.

2.4.4 International Fund for Agricultural Development

The International Fund for Agricultural Development (IFAD), created by the United Nations General Assembly in 1978, has focused exclusively on rural poverty reduction, working with poor rural populations in developing countries to (i) eliminate poverty, hunger and malnutrition, (ii) raise productivity and incomes and (iii) improve the quality of their lives.

IFAD's Strategic Framework 2002-2006, *Enabling the rural poor to overcome their poverty*, was conceived as part of the broad global commitment to the Millennium Development Goals, and is intended to foster social development, gender equity, income generation, improved nutritional status, environmental sustainability and good governance. Concretely, this approach implies the following: developing and strengthening the organizations of the poor to confront the issues they define as critical; increasing access to knowledge so that poor people can grasp opportunities and overcome obstacles; expanding the influence that the poor exert over public policy and institutions; and enhancing their bargaining power in the marketplace.

IFAD's *Rural Poverty Report 2001* argues that, to be successful, poverty-reduction policies must focus on rural areas. It also states that, to overcome disadvantages stemming from remoteness, lack of education and health care, insecure and unproductive jobs, high fertility and (often) discrimination as women or ethnic minorities, the rural poor need: legally secure entitlements to assets (especially land and water); technology (above all for increasing the output and yield of food staples); access to markets; opportunities to participate in decentralized resource management; and access to microfinance. Such policies not only promote economic growth but also help alleviate urban poverty. A sustainable reduction in poverty calls for the creation of a pro-poor policy environment, and allocation of a greater volume of resources targeted to the poor with greater effectiveness. This needs to be complemented by better partnership among government, civil society and the private sector so that the poor are empowered to take responsibility for their own development.

2.5 POVERTY REDUCTION STRATEGIES OF SOME BILATERAL ORGANIZATIONS⁵⁷

2.5.1 Development Assistance Committee/ Organisation for Economic Co-operation and Development

The Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) is an umbrella organization for bilateral development agencies. The DAC has published a general strategy, *Shaping the 21 Century: the Contribution of Development Co-operation*, to set out a vision of development cooperation, followed by substantial guidelines on poverty reduction.⁵⁸

While stressing the gravity of poverty worldwide, DAC/OECD points out that “the current conjuncture for confronting poverty is promising” because of a new broad global commitment to halving the proportion of people in extreme income poverty and income by 2015 and the coordinated and focused response of the international development community. Assistance has to be tailored to partner country priorities and to the achievement of the International Development Goals (IDGs), which are believed to address the key dimensions of poverty.

Invoking the multi-dimensional aspect of poverty which covers “distinct aspects of human capabilities,” the *DAC Guidelines on Poverty Reduction* propose a step-by-step approach to poverty-reduction: identify the main causes of poverty; design and rank policies and actions that address these causes; specify the indicators or goals for monitoring progress; and seek broad agreement on policies and programmes to tackle poverty.

The approach strongly supports measures aimed at empowering the poor by:

- Strengthening popular participation in formulating and implementing policy and in assessing impact;
- Promoting democratic and accountable governance and transparency;
- Promoting human rights and the rights of marginalized groups;
- Increasing the scope for civil society interaction and freedom of association;

- Supporting a free press;
- Reinforcing the rule of law and the impartial administration of justice;
- Promoting decent work conditions;
- Giving the poor more voice and control over the type, quality and delivery of services they receive.

2.5.2 Department for International Development (DFID)

The specific objectives of the United Kingdom Department for International Development (DFID) are fully explained in the 1997 White Paper *Eliminating World Poverty: A challenge for the 21st Century* and further developed in the 2000 White Paper *Eliminating World Poverty: Making Globalisation Work for the Poor*. DFID's objectives comprise policies and actions that promote sustainable livelihoods; better education, health and opportunities for the poor; and protection and better management of the natural and physical environment. DFID also prioritizes strategies to reach the Millennium Development Goals, and stresses, among other recommendations, the importance of land policy, land rights and land reform for poverty reduction in both rural and urban areas of the developing world. DFID recognizes that secure, safe and affordable access to land is a significant factor in poverty reduction.⁵⁹

2.5.3 Swedish International Development Cooperation Agency (SIDA)

The strategies of the Swedish International Development Cooperation Agency (SIDA) for poverty reduction are presented by the *Action Programme to Promote Sustainable Livelihoods for the Poor and to Combat Poverty*. This document states that each project proposed to SIDA should explain clearly how the planned activities are designed to reduce poverty. Working within a framework of the multi-dimensional aspects of poverty, the Swedish government identifies at three specific aspects of poverty: security, capabilities and opportunity.⁶⁰

2.5.4 Danish International Development Assistance

This national development assistance by Denmark is administered by the South Group of the Ministry of Foreign Affairs, of which Danish International Development Assistance (DANIDA) is an integral part.

DANIDA's guiding principle is to extend assistance to poverty-stricken countries, particularly to countries classified as LDCs by the United Nations. A number of general principles are adopted under the general orientation of poverty reduction: environmental considerations (i.e., the desire to create an ecologically and economically sustainable development), involvement of women in the development process and promotion of human rights. An increasing proportion of the assistance is allocated as support to democratization efforts.⁶¹

2.5.5 The Netherlands

The essence of the Dutch development cooperation is to combat poverty in a sustainable (i.e., durable and pro-environmental) manner. Poverty, with its various dimensions, is considered not just as a lack of income, but a lack of access to and control over means of production, insufficient participation in the political process and a shortage of social services. In terms of poverty reduction, the Netherlands cooperates closely with a limited number of developing nations (bilateral aid), development organizations (multilateral aid) and non-governmental and civil society organizations.⁶²

2.5.6 Belgian Survival Fund

The Belgian Survival Fund (BSF) is an initiative launched by the Belgian Parliament in the 1980s to finance programmes to improve the chances of survival of people threatened by hunger, malnutrition, poverty and exclusion in countries faced with a chronic food deficit. To this end, the programmes favour an integrated approach in order to improve food and nutritional security for families and local communities in a rural or semi-urban environment, paying particular attention to the following four dimensions:⁶³ sufficient availability of foodstuffs to meet the needs of families in the partner countries; access to a diet that is adequate in terms of quantity and quality by providing the population concerned with the means necessary to ensure subsistence and by paying particular attention to the most vulnerable population groups; security of access to foodstuffs at any time and for anyone; and improving the basic infrastructure in terms of health care, drinking water, basic education and social facilities.

SUMMARY

Chapter 2 discussed the multi-dimensionality of poverty, the relationships between democratic decentralization and poverty and between poverty and environment, the role of civil society, the importance of political commitment to favour democratic governance, and the need for more evidence establishing the connections between democratic decentralization and poverty reduction. By focusing on a new understanding of poverty and its underlying factors, frameworks and initiatives, this chapter presented a broad consensus on the issues of poverty and the challenges that lie ahead. It highlighted a few common themes:

- A narrowing focus on reaching the poorest, least empowered people and groups (among them women and marginal rural populations who depend on agriculture for their livelihoods) in the Least Developed Countries;
- A focus on better planning and coordination for integrating various components of sustainable, multi-sectorial development over individual projects;
- A growing commitment to development controlled by the recipient countries themselves based on their own needs and priorities, articulated through a vision or plan;
- The promotion of development centred on local people by major international agencies.

The next chapter looks more closely at some of the major cross-cutting issues emerging from the current debate.

By reducing the concentration of authority and power at the national level, democratic decentralization can address a wide range of issues that spring forth from centralized planning and centralized allocation of resources. In addition, decentralization, together with an active civil society, can contribute to closer relationships between local people and their government.

In order for decentralization to occur, there must be the political will to relinquish power, authority and resources to local governments. This may face genuine obstacles (such as the lack of capacity at local levels) in addition to a general reluctance among central officials to lose power.

Another obstacle is the realization that democratic governance does not necessarily lead to economic growth, human development or the eradication of discrimination against minority groups. While theories can explain how decentralization should promote participation and equality of outcomes, more evidence is needed to explain how and under what circumstances decentralization promotes poverty reduction. This chapter identifies a number of cross-cutting issues and synthesizes key aspects of current debate.

3.1 DEMOCRATIC DECENTRALIZATION AND POVERTY

Decentralization is not a new concept in international aid (there is a pro-decentralization record beginning in the 1970s). The fundamental difference between present and previous efforts is that state/sub-national interactions are now taking place in a democratic context. The current emphasis is on decentralization as a political issue, although it raises many economic, administrative and social issues. Power plays the central role.⁶⁴ Democratic decentralization, widely considered a strategy of governance and a gradual process of reform addressing a range of administrative, political, fiscal, and land issues, is intended to increase power and resources at a level of government that is closer, better understood and more easily influenced (than was previously the case) in order to enhance participation.⁶⁵

Today, the merits of decentralization depend on the perspective from which it is viewed. For instance, it has been pointed out that the neo-liberal economists see decentralization as a way of shifting power away from centralized states; advocates of pluralist politics see it as a way of giving interest groups space to organize, compete and assert themselves; some political leaders see it as a critical component for building for democracy at the local level; and democratic politicians see it as a way of holding the government accountable.⁶⁶

There is general consensus about the potential role of democratic decentralization with respect to poverty issues. For instance, almost all African countries have accepted the promotion of local governance as an important component in the continent's efforts to reduce poverty.⁶⁷ Although poor economic performance may undermine democratic regimes, it is widely accepted that democracy may offer valuable benefits (such as improved human rights, political choice, and government accountability) that are also the basis for citizens to support the regime.⁶⁸ On the other hand, weak governance i.e., persistent corruption and inefficient public service, is held responsible for continued poverty and slow development.⁶⁹

Democratic decentralization (or 'local democratic governance') is also supposed to efficiently address a large number of key issues, such as: the severe limitations of centralized planning and management; the over-concentration of power, authority, and resources at the centre; the weak contact between government and local people, including civil society and the private sector (see PRSPs); the low equity in the allocation of resources; the insufficient representation of various political, religious, ethnic and tribal groups in the decision-making process; the inadequate exchange of information; the inefficiency of service delivery, etc.⁷⁰ Furthermore, a government that is more knowledgeable about and hence more responsive to the needs of the people is expected to lead to pro-poor policies and outcomes.⁷¹

The good news that under conditions of effective governance a decentralization process really can provide the institutional framework to reduce poverty is tempered by the bad news that such conditions are not particularly widespread, especially in poor countries.⁷² Thus, the large enthusiasm for democratic decentralization has to be restrained by the acknowledgment that:

- There is no clear evidence of a linear relationship between democratic decentralization, local governance and poverty reduction and between democracy and allocative efficiency. In developing countries, the democracies are no better than the non-democracies at poverty reduction.⁷³ Furthermore, comparative analyses reveal little convincing evidence that decentralization has performed positively;⁷⁴
- Democratic decentralization and governance are not necessarily considered to be pro-poor and are not necessarily intended to reduce poverty or to target the poor. The features of decentralized administrative, fiscal and political arrangements that would help the poor derive greater benefits from rural development are still a matter for debate.⁷⁵ Furthermore, decentralization does not necessarily improve the political strength of the poor and other excluded groups and it may leave them vulnerable to the control of local elites when the central authorities become less involved;⁷⁶
- Democratic regimes are not necessarily the most effective means to foster economic growth and their lack of effectiveness may erode confidence in emerging democracy;
- Democracy can promote a form of ‘majoritism’ that can lead to the exclusion, marginalization and oppression of minorities;⁷⁷
- Over time, decentralization has not been consistently measured or defined around the world;⁷⁸
- Decentralization has a tendency to create greater inequities among communities and regions with different levels of organizational capacity, providing local elites a disproportionate role in the planning and management of projects⁷⁹ and giving them the opportunity to capture the allocation of resources;
- Pressure on natural resources, namely on forests and on grazing areas, may be increased by devolution of environmental powers to local user groups and/or individuals;
- Decentralization may have destabilizing effects on the macro-economy in some cases, and “its costs are more certain than its benefits.”⁸⁰

To explicitly counteract some of the negative outcomes of decentralization for the poor, there is a range of other mechanisms, instruments or institutional modalities that can be brought into the reform process. By analyzing empirical evidence, a study of decentralization processes in 60 countries⁸¹ concluded that decentralization may lead to poverty reduction, but only if three conditions are met:

- Adequate funds for elected bodies at lower levels;
- Adequate powers for the same bodies;
- Reliable mechanisms for the accountability of elected representatives to citizens and for accountability of bureaucrats at lower levels to elected representatives.

These factors, among others, are likely to enhance political participation, and provide incentives for poor people to develop new and stronger forms of organization. Without transfer of specific revenues, lower tiers of government are unlikely to be able to operate.

3.2 ADDRESSING POVERTY THROUGH LOCAL GOVERNANCE

Empirical evidence of the comparative advantages of decentralized governance in poverty-reduction is mixed or incomplete. The topic is at the crossroads of various perspectives, explaining its complexity, ambiguities and frustrations.⁸²

Recent literature points out, for instance, that public services can suffer as a result of decentralization — although in some specific cases (e.g., health) decentralization has improved outcomes — and that there is a need for more information on decentralized forms of service delivery and their capacity to target the poor in a responsive and flexible manner.

Decentralization reforms may also lead to a certain degree of inequity (e.g., undesirable regional disparities) by making local governments responsible for their funding and delivery. In addition, the resources accruing to local governments in LDCs may be so small that keeping the administration alive might consume most of these resources, leaving very little for the production of basic public services.⁸³

The evidence on the positive impact of decentralization on accountability, corruption, efficient resource allocation and cost recovery is particularly thin. More specifically, there is a need for empirical evidence

that would allow for a sound assessment of the potentials of decentralization to fight corruption and to prevent local elites from capturing power and resources.

This issue is closely linked to the debate over whether economic growth itself benefits poor people. Often, the so-called 'pro-growth' economic policy reforms seem rather to have increased inequality and social stratification and denied benefits to the poor. It is argued that there is no fixed relationship between the rate of economic growth and the rate of poverty reduction.⁸⁴

Large-scale poverty initiatives need to be supported by effective and accountable local governments. Aid agencies and development banks, for all their power and funds, have little capacity by themselves to reduce poverty unless they can find and support local partners. The international community can work directly with community-based organizations, but it is very difficult to work with a large number of small, diverse organizations.

Over the last few decades, insufficient resources have been allocated by national governments to rural infrastructure (roads, storage facilities, marketing networks, etc.) and social services (education, health, safe drinking water, sanitation, etc.). In particular, agricultural development has been marked by a paradox: while it plays a major role in local economies (by providing a substantial part of national output), agriculture has been neglected by economic policies. This partly can be explained, from an ideological point of view, by the fact that agriculture has been regarded by elites as a source of tradition and dependency. From a political point of view, rural populations have not constituted a powerful interest group in most countries; pressures from urban-based constituencies have often eclipsed them.⁸⁵

By involving local populations (for instance, users of public services and infrastructure as well as users of productive natural resources) in decision-making (design and implementation of activities), democratic decentralization may:

- Better emphasize users' preferences and priorities, give greater voice and representation of citizens, stress local ownership as an effective instrument of implementation and bring greater grass-roots level control over resources and their utilization;

- Remove social constraints and administrative obstacles as well as limit the power of the central state (e.g., in the management of natural resources);
- Stress the fact that the poor constitute highly differentiated groups, with diverse priorities;
- Facilitate collective action in the provision of public goods and in the protection/management of natural resources and make more efficient the delivery of public services;
- Make central government more responsive to citizen needs and produce more acceptable government decisions.

There are wider concerns in the decentralization challenge concerning economic and political development to support local prosperity.⁸⁶ One way to capture this challenge is in the sense of political and economic liberalization;⁸⁷ such liberalization becomes a parallel strategy to that of decentralization within the following four elements of a governance paradigm:

- A national enabling environment (political regime; institutional setting; policy environment; and constitutional, legal and regulatory framework);
- Strategies for local governance (administrative decentralization and political and economic liberalization);
- Local stakeholders (local government and civil society);
- Stakeholder actions (from civil society — demand services, pay taxes/fees and make investments; from and through local government — provide infrastructure, services and information).

3.3 THE “POVERTY AND ENVIRONMENT” NEXUS

Recent studies have established a more comprehensive and dynamic linkage between poverty and the environment. In spite of obvious differences between countries, findings from recent research show, for example, that:

- Contrary to common narratives,⁸⁸ poverty is not a major cause of environmental degradation. The poor do not inevitably overuse or

degrade the environment in response to demographic growth or economic marginalization; by contrast, extensive commercial use of natural productive resources by influential and powerful groups or persons is a major cause of environmental degradation;

- Small farmers are more productive per unit of land than large farmers (this is the ‘inverse relationship’ principle between land area operated and annual value added per hectare);⁸⁹
- Most of the rural poor do not exclusively depend on natural resources, but receive an increasingly important part of their income from a diverse portfolio of activities, more particularly from the non-farm sector;⁹⁰
- Rural populations do not simply adapt to their natural environments, but change it by adopting a large range of flexible technologies. Poor producers living on fragile lands have accumulated centuries worth of experience in managing risky environments, which helps them to identify production constraints and experiment with new technological options.⁹¹
- Local systems, especially those in arid and semi-arid zones, have been demonstrated to be “intrinsically resilient and unstable,” which should have broad policy implications, by stressing bottom-up approaches aimed at strengthening this resilience;⁹²
- The environmental practices of the poor are not static, as they continuously reinterpret their own situations and related normative complexes;⁹³
- The adoption of sustainable environmental practices, directly addressing poverty, is possible only if there are, at the local level, efficient and viable institutions governing property rights and collective action;
- Individual land titling is no longer considered, as in the 1990s, to be a necessary pre-condition for land use intensification. A better understanding of the conditions of the rural poor has today stressed the importance of a variety of local (individual as well as collective) arrangements concerning the access to and use of natural resources (such as leasing, tenancy, share contracts, loans, etc.).

There is a growing consensus that there is no trade-off between measures aimed at alleviating poverty and those aimed at protecting the environment. Resource conservation must be supported, not undermined, by economic incentives. Socio-economic development and resource management appear to be clearly related and conservation measures cannot be undertaken in isolation from the general economic context. It is now widely accepted that poverty-reduction measures should not damage the productive environment of the poor and environmental initiatives should be designed in a pro-poor manner. UNCDF, for instance, has gained considerable experience from its previous 'eco-development' projects, which provided direct and indirect evidence that conflicts between short-term economic interests and long-term resource conservation can be solved — provided economic factors are considered as incentives or disincentives for resource use and conservation.

3.4 CIVIL SOCIETY

The concept of 'civil society' and the interrelated, close notions of 'social capital' and 'social cohesion'⁹⁴ are often used in political discussions about ways to modernize social and economic policy and, indirectly, to reduce poverty. The focus (and the interest) on civil society, defined as an intermediate realm between the state and the family and made up of organizations enjoying a certain degree of autonomy,⁹⁵ reflects an historical evolution of the supporters of democratic transitions in LDCs. Free elections cannot, by themselves, create a democratic society. What is needed is a comprehensive reform of state institutions. In order to be effective, this reform should be accompanied by efforts to sustain civil society. Thus, turning to civil society assistance is a way of stimulating external pressures for policy and institutional reform.

This recent thinking also stresses the ambiguities of civil society, because of its political nature. While civil organizations can promote social inclusion and political participation, they also can favour social exclusion and increase political marginalization.

The causal connection between civil society (i.e., citizens, community organizations, NGOs and business) and decentralized local government has recently been explored in a number of academic studies and reports. An active 'civic community' and democratic values (norms and networks) are preconditions for a good local government. Concurrently,

a functionally-decentralized good government allows the emergence of a dynamic civil society. Decentralization should accompany efforts intended to strengthen the range of institutions of civil society. This is particularly true in Africa, where, because of complex social structures, governments do not have monopoly over power and are not the only legitimate authority. The nature of interactions between social groups and public institutions influences, to a great extent, where power is concentrated and how widely it is dispersed.⁹⁶

A focus on civil society organizations also can demonstrate that a more pluralistic approach may ease the bitterness of opposition forces, make politics a safer game, and enhance the legitimacy (and popularity) of the top power holders.⁹⁷ Civil society networks facilitate local governance by helping to mobilize additional resources, by enhancing the accountability of local level political and management officials and by creating synergies leading to innovations and higher levels of productivity.⁹⁸

The focus on civil society is also likely to promote gender-sensitive local development. It is argued, for example, that as female politicians and civil servants do not automatically give priority to gender issues, the establishment of links between politicians and women's organizations may facilitate women's participation and stimulate the defense of gender interests.⁹⁹

Informal institutions could, under certain conditions, be an effective route to reach the poor. It is also true that by emerging only when formal institutions fail to perform, informal institutions do not provide sustainability. Thus, a major challenge raised in the 2002 Africa Governance Forum, was "to work out how best to build bridges between, and networks among, existing formal and informal institutions as a means of enhancing the success of formal institutions and empowering poor people to take advantage of social service delivery structures and market opportunities."¹⁰⁰

3.5 POLITICAL WILL

From the political point of view, a number of LDC governments are committed to decentralization and have placed the need to address poverty and inequality firmly at the centre of their agenda.

Much has been written on the impact of structural, international, and global factors on the democratization process in LDCs. Much of the literature recognizes that local domestic factors shape a democratic society (local institutions, civil society, interaction between the state and community groups, etc.) It is also argued that, in spite of political declarations, there is still a general reluctance of the centre to surrender power and resources to sub-national governments and local communities. This reluctance has to be seen together with the general resistance to pro-poor measures from privileged (usually urban-based) groups.

A particularly interesting issue is whether poverty reduction is, in the language of game theory, a 'zero sum game' (i.e., a situation of pure competition, where the payoff of one player is the negative of the other). If poverty is defined as insufficient access to limited material resources, then alleviating poverty necessarily implies that there will be some losers. By contrast, if vulnerability, risk, and exclusion from public services (i.e. health, education, sanitation, security and law) define poverty, then it is no longer a zero sum game and "potential solutions, such as insurance mechanisms and wider access to public services, appear far less threatening to the non-poor."¹⁰¹

The willingness to give people more direct access to government and to bring economic and political decision-making closer to the people is an obvious and important concept, which is difficult to translate into reality. In light of lessons learned in several countries, a recent UNDP report pointed out that a new paradigm of 'participating' development "has been conducted without any accompanying changes to the broad political and institutional environment" and no "meaningful reforms of the power relations between government and local communities" have taken place.¹⁰²

Although it is important, political will alone is not sufficient. There are several cases in which "dramatically changing political situations have led to major constitutional and legal reforms and genuine attempts to decentralize."¹⁰³

The particular reluctance or lack of volition of several line ministries to relinquish and devolve power, authority and resources to local governments is considered a real threat that could jeopardize the entire process of decentralization.¹⁰⁴ This reluctance does not reflect the desire to hold power for power's sake. It may stem from genuine concerns about

national unity and ethnic division (in ethnically diverse societies, decentralization raises specific questions about the balance of power among the different groups).¹⁰⁵ On more specific matters, such as devolution of environmental powers, line ministries are also unwilling to trust those with unproven management capabilities with a valuable source of national wealth.¹⁰⁶

In many countries, special emphasis is put, as the report of the Fifth Africa Governance Forum pointed out, on the “imperative for governments to address the challenge of opposing thrusts in a manner that recognizes both the virtues of devolution of power, authority and resources to lower levels and the importance of realizing the goals of national development posited and implemented by central authorities.”¹⁰⁷ Political will and commitment have to be based on a more comprehensive understanding of the social relationships and mechanisms that produce and reproduce poverty. It has also to be translated into the development of “integrated organizational structures that are empowered, through institutional capacity strengthening, to prepare for, and respond promptly and positively to the causes and effects of poverty.”¹⁰⁸ The report also brings attention to the negative impact on the rural poor of inadequate government agricultural and environmental policies, insufficient public expenditure allocations for agriculture, the exclusive focus of land policies on agricultural production systems (even where land use is dominated by pastoralism) and insufficient public investment in fragile lands, especially those supporting moderate to high population densities.

3.6 SUSTAINABILITY

The concept of ‘sustainability’ is increasingly becoming a part of an overall process within local institutional stakeholders, in a shifting context of change. From a historical perspective, it could be stressed that circumstances change and that “achieving stable democracy isn’t just fair-weather sailing; it also means sailing sometimes in foul and dangerous weather.”¹⁰⁹

Broad sustainability is sought through the strengthening of governmental planning and coordination structures and enhanced working relationships with these structures. It is crucial, for instance, to overcome a simplistic and naïve perspective “on the prospects for poverty

reduction, participation and empowerment of the poor while operating within the institutional power structures that accept or even generate that poverty.”¹¹⁰

There is a gap between rhetoric and reality, which only concrete programming can solve. Several challenges concerning sustainability are stressed by the current debate:

- To link democratic decentralization and governance not only to conventional electoral procedures (whereby decision-making power is handed over to elected representatives), but also to more comprehensive models allowing participation in decision-making;
- To secure national ownership of policy;
- On matters related to the finances of local governments, to match the transfer of functional responsibilities with the devolution of real fiscal powers and financial resources;
- To solve new budgetary constraints created by patterns of fiscal decentralization;
- To solve the problems faced by elected governments caught between the budget conditionalities of the donors and the pressures from their constituencies for immediate and visible physical investments, with little scope for allocating resources to the priority administrative, political, fiscal and land reforms;¹¹¹
- To take into account women’s needs and interests and provide them with the opportunity to participate in and influence decision-making processes and sustainable planning;
- To guarantee human rights and stable peace.

3.6 PARTNERSHIP, COORDINATION AND COHERENCE

The new understanding of the multi-faceted dimensions of poverty calls for stronger cooperation among institutional stakeholders (see elements of thinking raised by debates concerning MDGs and PRSPs, for instance) and for a comprehensive and coherent re-thinking of development cooperation practices, by stressing the following elements:

- National ownership of initiatives aimed at alleviating poverty;
- Participation of all local stakeholders;
- Better coordination of policy and implementation by donors and different spheres of government;
- Better coherence within a sector (e.g., at different levels of government), among sectors, between different donors (with respect to their aid strategies and interventions) and between government and donors.

Several current frameworks (OECD, UNDP, etc.) stress the importance of strong partnerships in poor countries. The World Bank's LICUS initiative (see above 2.4.1), for instance, addresses the importance of a strong partnership in poor countries with extremely difficult environments and donor coordination, including pursuit of a shared strategy. It is acknowledged that each donor may have its own comparative advantages in terms of a better knowledge of local conditions and greater ability to work with the civil society on the ground.

A good example of the need for better coordination is provided by the tension between sectorial approaches and decentralization. Some governments, under the pressure from donors, stress the role of centrally planned sectorial blueprints and undermine effective decentralization. Sectorial financing is preferred to the integration of grants into the established government planning and budgeting process. Projects are negotiated between donors and line ministries. However, "donor-created parallel structures jeopardize sustainability and can, and often do, undermine accountability."¹¹²

SUMMARY

Chapter 3 analyzed the two basic conceptual dimensions of 'poverty' and 'local governance' and explored the comparative advantages of decentralized governance in tackling poverty. Although the empirical evidence is incomplete, it is believed that a greater involvement of local populations in decision-making, through democratic decentralization, may significantly contribute to reduce poverty.

The issues raised in this chapter highlight the challenges and resistance to decentralization, as well as the consensus surrounding the

debate on poverty. There is a wealth of theory indicating that this resistance can be overcome, particularly by enhancing civil society and improving coordination with donors to promote decentralization and ensure its sustainability.

Part II of this paper further explores the specific aspects of UNCDF policy in fostering good local governance in Least Developed Countries within the context of wider efforts to reduce poverty and to empower the poor at local levels.

EMPOWERING THE POOR

Part II: UNCDF and Poverty Reduction

CHAPTER 4 Conceptual Framework

4.1 UNCDF'S MANDATE AND COMPARATIVE ADVANTAGE

The overarching goal of UNCDF is to help reduce poverty through local development programmes and microfinance operations. Its 'strategic results framework' (see Inset 4) implicitly stresses the linkages between activities of good governance and multi-dimensional measures for poverty reduction. Its intervention is characterized by a model of local governance, based on building partnerships with programme country governments, local authorities and communities.

The operations of UNCDF's Local Governance Unit (LGU) are designed to support the institutions of local governance in a limited number of LDCs (see Annex) and, particularly, to strengthen the capacities, responsiveness and accountability of elected local governments. UNCDF's specific objective in this area is to achieve direct poverty reduction and improved local governance.

INSET 4: UNCDF'S STRATEGIC RESULTS FRAMEWORK, 2000-03

Goal: To contribute to overall poverty reduction by creating an enabling environment for decentralized rural development and better local governance.

Sub-Goal 1: To increase sustainable access of the poor to basic infrastructure and public services as well as to productive livelihoods opportunities, through good local governance and enhanced natural resources management.

Sub-Goal 2: To increase access of the poor, especially women, to financial services on a sustainable basis through strengthened microfinance institutions and an enabling environment.

Sub-Goal 3: To promote a financially sound organization which develops and implements quality programming in local governance and microfinance.

UNCDF's experience in the area of local governance offers practical lessons of wider policy interest both to national governments and other development partners. Through designing, backstopping and monitoring operational support to decentralization through its Local Development Programmes in especially poor rural areas of LDCs, UNCDF activities:

- Empower the poor and promote civil society participation in identifying development priorities in a structured dialogue with local leaders;
- Promote a decentralized participatory approach to the delivery of basic infrastructure and the protection/management of renewable natural resources, in order to ensure that local investments match the needs of the poor, are managed efficiently, and are sustainable in the long term;
- Achieve poverty reduction, by delivering demand-responsive local public and community investments in social and economic infrastructure and services, and in improved natural resource management;
- Improve the efficiency, responsiveness and transparency of delivery systems for local investments, through development of local planning, budgeting, and implementation procedures;
- Provide 'hands-on' capacity building for local governments (mostly democratically elected) to promote transparent local institutional arrangements with civil society;
- Identify and test local innovations in practice, which, once proven, can then be mainstreamed into the national policy and institutional reform.

UNCDF works in partnership with UNDP and with other larger donors to maximize its comparative advantage. Its 'added value' in upstream policy dialogue is to advocate for broader policy and institutional reform and for the devolution of powers and financial resources to sub-national spheres of government — those that are closest to the poor.

4.2 FOCUSING ON LOCAL GOVERNMENT AND GOOD GOVERNANCE

Against the backdrop of the current debate on democratic decentralization as a means for poverty reduction, the central focus of the UNCDF approach to poverty-reduction stems from different considerations:

- Democratic governance is believed to ultimately create the conditions for sustainable development and poverty reduction — it is a driving force to initiate change both on the ground and at the national policy level (although more empirical evidence is needed);
- Supporting and strengthening local, democratically elected governments and building more inclusive, responsive, accountable and transparent local government institutions are means of enhancing local democratic governance;
- Effective local government is crucial for the sustainable livelihood and well-being of all groups and for improving the dialogue between local institutions, civil society and the private sector;
- Local government-based development activities tend to protect and favour local identities and territorial collective identity.¹

UNCDF believes that its programmes, by providing local stakeholders (local authorities as well as local civil society) with the power and resources within the context of administrative, fiscal and political decentralization,² may have a considerable and undeniable impact on local livelihoods and on poverty reduction. Its approach essentially intends to demonstrate that sound institutional arrangements, together with increased opportunities for better economic performance and sustainable rural livelihoods, may empower the poor, strengthen their participation in local political life and decision-making and improve their condition.

The major challenge is to create the conditions at the local level that favour ‘pro-poor’ democratic governance and ‘pro-poor’ development, bringing economic and political decision-making closer to local communities, fostering operational strategies suited to local conditions, and making local authorities more accountable to their constituencies. The rationale of the approach derives from one of the key lessons learned

from the current debate on decentralization regarding the importance of policies, institutions, and governance in poverty reduction.

As highlighted in Part I, the linkages between support to democratic governance and measurable poverty reduction are unclear. The initial results from ongoing experiments are mixed. Although UNCDF is taking significant risks through this approach, its pilot programming takes place only where essential conditions of effective governance have been put in place (i.e., local authorities receive adequate powers and clear accountability mechanisms have been established) and where there is clear political commitment by the central government to accompany the experiments with appropriate measures.

The underlying assumption of the UNCDF approach is that local stakeholders can more effectively define local priorities and local authorities can more efficiently implement poverty reduction measures. In this manner, the UNCDF strategy reflects a political perspective to democratic decentralization which stresses the ‘new social contract’ that can be established between the state and civil society through local government.

4.3 ADDRESSING SPECIFIC DIMENSIONS OF POVERTY

While fully acknowledging the multi-dimensional aspect of poverty (see 1.3), UNCDF stresses the necessity of arriving at a working definition of poverty and in translating the general poverty reduction goal into a range of specific operational objectives.

Thus, by identifying its spheres of concern, UNCDF directly addresses three distinct dimensions of poverty (or three inter-related kinds of deprivation), with positive empirical correlations. This deconstruction of the concept is made necessary by the pitfalls of aggregating a whole set of deprivations under the term ‘poverty’.³

4.3.1 Poverty as a lack of power

This form of deprivation is powerlessness: the lack of a voice in decision-making and public policy choices or in the access to resources required to rise out of poverty; lack of basic political freedoms; social exclusion and lack of social rights; and limited capacity to access and influence state institutions and/or social processes.

This dimension of poverty is endemic in rural areas. It may affect certain groups (e.g., pastoralists, ethnic minorities, indigenous or marginal groups) more than others due to the fact that they are mostly uneducated and dispersed, and live in remote and inaccessible areas. In addition, the poorer segments of the population are often considered to be expendable by decision-makers – who sometimes choose to reallocate their land based on different priorities.

Poverty also disproportionately affects specific social categories (e.g., poor women, low caste groups, etc.), mainly because of the features of local social and cultural interactions. In politically-marginalized rural areas, the poor have few opportunities to influence government policies and strategies. The condition of the rural poor may also be worsened by social norms, power centralization and distribution patterns that may, for example, exclude minority groups and women from land rights and decision-making on environmental issues. As it has been pointed out by recent studies,⁴ this form of poverty is also affected by low levels of self-esteem and self-determination among the poor.

4.3.2 Poverty as inadequate access to social services

This form of deprivation is characterized by poor access to services (such as education and health facilities). This situation creates low rates of literacy and education, prevents economic growth,⁵ decreases people's productive capabilities, limits use of adequate technologies (e.g., for farm and non-farm activities)⁶ and hampers communication and exchange of information.

The effects of this deprivation are weak participation in civil society and weak civic engagement, which may be defined as the involvement of people in the economic, social, cultural and political processes that affect their lives.⁷ Lack of education for girls is particularly considered as a factor leading to illness, excessive birth rates, high infant mortality, malnutrition and HIV/AIDS.

4.3.3 Poverty as insecure livelihood and vulnerability to environmental risks and poor access to infrastructure

This dimension of poverty, which is characteristic of rural areas, basically concerns assets (i.e., tangible and intangible stores of wealth) and commodities (i.e., products which are exchanged or sold) as well as poor

access to basic infrastructure (such as markets, roads, etc.). Livelihood is insecure when stocks, capital, resources, flows of food and cash are inadequate to meet basic needs. The general concept of ‘insecurity’ refers to insecure access to, use of and control over productive resources and income-generating activities. This form of poverty includes the following aspects:

- **Low asset base:** (i) The lack, or loss, of access to and use of arable land — especially fertile and/or irrigated land — and insecure land rights (for agriculturalists and agro-pastoralists), (ii) lack of working capital (domestic or hired labour) as well as investment capital (to buy both equipment and agricultural inputs needed for intensification or diversification of activities) and (iii) lack (or loss) of animal capital due to epidemics, droughts or sale of capital for consumption (for agro-pastoralists and pastoralists);
- **Vulnerability:** The exposure of family-based economies to recurrent and unpredictable events, such as ecological risks, economic shocks, instability of market networks, as well as to recurrent (pluri-annual or seasonal) food crises or famines⁸ and increasing loss of resilience or capacity to resist and recover after major crises;
- **Food insecurity:** As part of a broader aspect of unsustainable livelihoods, food insecurity is not only linked to production failures at the household level, but rather to food access (insufficient purchasing power of the poor). In light of the current debate, the idea of food security has moved from one-dimensional to a multi-faceted concept, which encompasses broader elements of livelihood.⁹ With the erosion of their means to survive, people are suffering from livelihood insecurity, not simply food insecurity.¹⁰ Hunger cannot be solved simply through increased investments in agriculture and lack of access to food is increasingly considered as the major element of a broader equation involving (i) lack of access to productive resources, (ii) lack of control of these resources, (iii) land insecurity, and (iv) poor access to adequate technologies. All these elements prevent the poor from producing adequate food or from accessing sufficient food at all times.

From a policy perspective, these three forms of poverty imply a set of distinct and complementary responses in terms of local empower-

INSET 5: KEY ASPECTS OF RURAL POVERTY

New socio-economic trends

Due to ecological and economic crises and population growth, productive resources, especially fertile cropland and common pool resources, are becoming increasingly rare. They are also the object of privatization trends, of accumulation by a minority (mainly an absentee, urban-based elite) and of commercial speculation. With the monetization process, controlled by men, women increasingly lose access to fertile lands or to trees. During structural adjustment, the dismantling of public institutions and the retreat of the State has left — especially in rural areas — a vacuum, not always filled by the private sector. The poor tend to undermine their capital base of production (through divestment of land and livestock) by diverting it into consumption. Market and non-market ‘bottlenecks’ restrict the productivity of rural assets and the ability of poor producers to capture the benefits of their productive activities. In addition, large domestic groups tend to split into smaller family units. Traditional networks of solidarity and collective mutual assistance have begun to lose their strength, increasingly replaced by other mechanisms based on a different, more individualistic, commercial logic.

Ecological stress

In rural areas, where the physical environment supports basic human needs and populations rely heavily on the use of natural resources (i.e. cropland, grazing areas, forests and woodlands, water resources for irrigation and livestock, fishing resources), the production activities of rural populations are exposed to numerous risks linked to climatic and soil conditions: unstable and unpredictable rainfall, water shortages and depletion, salinization, deforestation, lowered rainfall infiltration, soil degradation and erosion, declines in crop yields, rangeland degradation, fish stock depletion, biodiversity losses, and the like. It is commonly estimated that almost 40% of African farmers/pastoralists

live in areas susceptible to declining soil fertility, erosion, degradation of grasslands and salinization. Ecosystems are increasingly losing their resilience to recover from droughts, and, therefore, are increasingly unsustainable.

Land conflicts

The struggle for access to and use of productive natural resources has become a widespread and crucial survival issue. The scope and gravity of conflicts over different ways of accessing and using the resource base or among different users weaken rural economies and threaten local ecological dynamics. These conflicts have been exacerbated by the increasing poverty and social inequality in rural areas, the degradation and decline in resources, the spread of cultivated farm crops to the detriment of forests and grazing lands, and the variable productivity of resources.

ment, local environmental governance, and local social governance (see Chapter 6). The poor who are trapped in any one of them are unlikely to escape the others. For instance, the poor who are not (or are insufficiently) involved in social networks as a means of access to labour, to capital, and to productive resources are also unable to adopt basic coping strategies (such as intensification or diversification of agricultural activities). By contrast, whenever they have been organized and have been able to participate fully in decision-making processes and have access to technical, education and managerial skills, the poor have improved their own livelihoods and broken the cycle of their poverty.

Thus, while it may be argued that taking action to increase opportunities is itself a potent source of empowerment, empowerment is also essential for influencing market reforms and asset ownership. These often affect material opportunities, policy design and the creation of institutions to help manage risks faced by the poor and non-poor alike.¹¹

SUMMARY

Chapter 4 explored the underlying assumptions related to the role of local governance and local governments in poverty reduction. UNCDF programming directly addresses three major dimensions of poverty: poverty as a lack of power, poverty as inadequate access to social services and poverty as insecure livelihood and vulnerability to environmental risks and poor access to infrastructure.

The UNCDF approach demonstrates that sound institutional arrangements at the local level, together with increased opportunities for better economic performance, may lead to sustainable rural livelihoods and the strengthened participation of the poor in local decision-making.

5.1 EMPOWERING PEOPLE TO REDUCE POVERTY

Empowering the poor requires the removal of all institutional barriers that limit their choices and prevent them from taking action to improve their well-being.¹² More particularly, empowering the poor includes strengthening the basic principles of good governance (see 1.3) by enhancing popular participation, improving efficiency in pro-poor development and promoting democratic accountability and transparency.

As poverty is linked to powerlessness, injustice and exclusion, empowering people means also promoting human rights, increasing the range of civil society interaction and freedom of association, reinforcing the rule of law and the impartial administration of justice and giving the poor more voice and control over the type, quality, and delivery of services they receive.¹³

UNCDF emphasizes the comparative advantage of local governments in fostering democratic governance and in designing, financing, managing, supervising and monitoring local development measures and initiatives aimed at reducing poverty. Its approach gives a pre-eminent place to local authorities (e.g., at municipality, district, ‘commune’ or sub-district level), by providing them with adequate power and financial resources, while creating and/or consolidating a network of interactions with the organizations of civil society and deconcentrated state administrations (considered to be providers of technical services and support).

From this broad perspective, decentralization and democratic governance are essentially economic and political, rather than administrative, issues. They are means to enhance local economic development, local delivery of infrastructure and social services, and local control, access to and use of productive renewable natural resources.

5.2 DEFINING THE ROLES OF LOCAL GOVERNMENT

Within the context of a formal or informal democratic process, UNCDF considers local government to be a permanent institution which:

- Has a range of precise rights and obligations with separate existence and functional autonomy (legal, financial and technical), and a formal mandate to provide a range of services to their respective constituencies;
- Is a recipient of formal power to receive resources from the central state to establish, collect and impose taxes and fees; to mobilize local resources; to manage resources from their own budgets; and to allocate material resources to different functions;
- Has the power to formulate bylaws and regulatory frameworks (within precise domains) on social and environmental issues, the capacity to establish agreements with the organizations of civil society and the private sector, and the institutional mandate for economic and social development, environment, sanitation, education, culture, health, municipal police, etc.;
- May constitute a privileged place for education in democracy¹⁴ and a learning centre and laboratory to design and experiment with new forms of political participation¹⁵ and pro-poor local development, respectful of local social identities.

Local government has a comparative advantage in the provision of many essentially local public services. When measured against other organizations, this advantage derives from:

- Its potentially greater pressure for responsiveness and accountability on local development decision-making;
- Its greater familiarity with local problems;
- Its relative permanence and legal backing.¹⁶

These advantages offer the potential for more efficient, effective and sustainable service delivery for poverty reduction. Supporting and strengthening local authorities means recognizing their leadership in local development, and finding a way to ensure their ownership in the local development agenda. This approach encompasses three crucial institutional perspectives:

- Local governments cannot be considered independent (not even semi-autonomous) organizations; while free to act without formal

approval by the centre on all their matters, sub-national governments should keep close relationships with central government. Made possible by the centre, local governments need the political oversight and the technical guidance of the centre, according to the principle of ‘balanced powers’ (de Tocqueville argued that “the political strength of local autonomy is intended not only to constitute a school of democracy, but also to create a necessary balance between powers”);

- Local governments should establish and/or strengthen horizontal relationships among themselves in order to collectively tackle mutually shared problems;¹⁷
- Local governments should establish pro-active interactions with lower levels of political life. The local-level institutions of interest groups, user groups, associations, networks and disparate groupings constitute “the building blocks of political action and interchange” and form “a broad tapestry of social, political, and economic communication.”¹⁸ It is now broadly acknowledged that local social context and systems, including local norms and networks of civic engagement, profoundly affect the strength, responsiveness and effectiveness of institutions.¹⁹

Policies concerning planning and budgeting at the local level are a more recent concern for governments and donors. The realization that planning is central to development has resurrected itself, but thinking has moved away from the earlier central planning mentality. This new perspective addresses the weaknesses of the SWAP approach, particularly its potential clash with pre-decentralization dynamics (see 2.2.4). It sees planning as a way to optimize scarce public resources to support development. This planning is essentially three-fold: (i) macroeconomic planning leading to government revenue forecasts and subsequent sector expenditure ceilings within which sector ministries can budget, (ii) planning and budgeting at the national level, in the annual cycle and (iii) ideally, local government planning and budgeting, driven by grass-roots development initiatives.

Building more inclusive, responsive, accountable and transparent local government is an additional dynamic component favouring a strategy focused on local government, by helping greater mutual exchange

between it, civil society actors and the private sector. This is particularly important for gender-sensitive local development. Women's participation is likely to occur particularly at a local level, rather than at a national level, because "eligibility criteria for the local level are less stringent and local government is the closest to the women's sphere of life."²⁰ Participation in local politics may build women's capacity.

5.3 SUPPORTING ADMINISTRATIVE/POLITICAL DECENTRALIZATION

By capitalizing on major elements drawn from current debates on poverty²¹ as well as the lessons learned by its own programmes, UNCDF stresses, among other factors, the fact that decentralization may influence good governance in the public sector only if it:

- Is supported by necessary legal and administrative arrangements;
- Is accompanied by capacity building of local stakeholders;
- Includes adequate, predictable, and sustainable funding;
- Is supported by an enabling and regulating framework for local government, which is provided by central government.

The underlying assumption is that good governance will ultimately create the conditions for sustainable development and poverty reduction. The idea is that democratic governance can trigger a virtuous cycle of development where political freedoms empower people to force the expansion of social and economic opportunities, thereby allowing communities to define their own priorities.²² Thus, within the international development community, UNCDF plays an indirect but catalytic role in helping to build ownership for reform.²³

Debating whether or not to support decentralization as a strategy for poverty reduction is unproductive. Democratic decentralization is today a political trend worldwide, especially in the LDCs. Rather than arguing whether or not decentralization should be supported, the real debate in terms of poverty-reduction, should focus on:

- The quality of decentralization design, the pre-conditions of decentralization (e.g., reforms), and the necessary accompanying measures (e.g., capacity building);

- The aspects of decentralization which can enhance the quality of local governance and political life;
- The external factors favouring good governance, such as the social infrastructure of civic communities and the democratic values of both officials and citizens.²⁴

5.4 FOSTERING THE IMPACT OF GOVERNANCE ON PUBLIC SERVICE

In order to improve the impact of governance on public service, on local economic development and on local control of natural resources, a number of factors are stressed by the UNCDF approach:

The allocative efficiency of local (sub-national) governments

Potentially, local governments are able to allocate overall resources to better match priorities and requirements of the poor. By being better informed of local preferences and by better matching public services to them, local governments may improve the efficiency of resource allocation — tailoring, for instance, outputs and services to the priorities of local constituencies. Other factors to consider are:

- **Quantity responsiveness:** Local authorities face greater incentives and pressures to allocate resources (funds or staff) to those sorts of basic services and infrastructure, that benefit the poor. That is, as compared to central agencies, local governments face democratic pressure from councilors and their constituents for a larger volume of modest, small-scale, widely spread ‘primary’ facilities (feeder roads, health posts, primary school classrooms) which tend to favour the poor (and against large scale investments — trunk roads, referral hospitals and so on — which would tend to favour relatively more the non-poor).
- **Quality responsiveness:** Through more institutionalized linkages with beneficiary communities, improved information, and the incentive to use this information, local governments are better placed to identify the poor, to respect local social identities, and to respond more efficiently to local variations in conditions, tastes, standards, affordability, location requirements and so on for services or infrastructure. Thus, they are also better placed to avoid

INSET 6: GENERAL WEAKNESSES IN LOCAL GOVERNMENT IN SUB-SAHARAN AFRICA

UNCDF has worked with local governments in sub-Saharan Africa for many years in the area of decentralized planning and financing of local development. While weaknesses can be attributed to an array of unique circumstances in each case, the following is an attempt to isolate a few general common themes:

- **Inadequate resources.** Local governments are typically short of qualified and motivated staff, financial resources (whether from own source revenues or from transfers) and basic logistics and hardware (e.g. communications, transport etc). A large proportion of elected councilors are not educated and need basic literacy;
- **Shortcomings.** Specific weaknesses of local government concern the following domains: representativeness and legitimacy of elected representatives; procedures for interaction between representatives and constituents; local consultative planning and budgeting procedures; local financial management procedures; local service implementation and management procedures; internal council and committee procedures; relations between councils and line departments, and relations between line staff and councilors; and general arrangements for communication and consultation with other parties — the public, civil society, NGOs, the private sector;
- **Central-local relations.** Typical problems include unclear central mandates and frameworks for local government and/or legislation which is vague, inconsistent and/or changing, unclear relations between local government and line ministries and generally, central government interference in local affairs and/or central neglect to the provision of guidance, support and resources.

planning mistakes that may constrain access, especially for the poor or marginal segments of society, and to satisfy the varying priorities and preferences of local people. These hypotheses assume (i) that elected officials indeed are responsive to constituents, (ii) that planning and budgeting procedures allow for public involvement and (iii) that local bodies do indeed have discretion in making resource allocation decisions;

- **Participatory budgeting:** A wide range of stakeholders (including the poor and other vulnerable groups) may participate in a process of ‘participatory budgeting’ (through analysis of local budget, monitoring of public expenditures and investments, and monitoring of public service delivery);²⁵
- **Gender-sensitive responsiveness:** Information enables municipalities to optimize allocation and management of their resources. A process of participatory planning, which would involve both women and men, is a key element for local development and poverty reduction. “The integration of a gender approach into policy, planning and management will make local development not only more equitable but more effective.”²⁶

Productive efficiency of local (sub-national) governments

The productive efficiency involves the cost of delivering services. Local governments are generally better informed not only about local preferences and politics, but also about local variations and costs. Local governments, once more, are potentially able to allocate resources that are more efficiently used to benefit the poor. Other factors to consider are:

- **Monitoring and assessment systems:** Local governments are able to ensure more efficient service delivery, through better information and closer oversight and control of service staff — teachers, health workers, road crews, etc. — where absenteeism can be significantly cut. Private contractors are also used more efficiently — similarly, through better information and closer oversight and control. Local governments are better able to ensure more competitive tendering as well as better performance and contract-compliance from private firms under contract to implement infrastructure investments.²⁷

INSET 7: STRONG INSTITUTIONS FOR POVERTY REDUCTION IN UGANDA

In Uganda, the UNCDF-supported District Development Programme operates in the context of the 'National Poverty Eradication Action Plan' with its four pillars of: (i) creating an environment for economic growth and transformation, (ii) ensuring good governance and security, (iii) directly increasing the ability of the poor to raise their incomes and (iv) directly improving the quality of life of the poor. The goal of the programme is poverty eradication based on an underlying assumption that the causes and effects of poverty are influenced by the degree of popular participation in decision-making processes and the control of and equitable distribution of resources.

Strong local governance frameworks, institutions and operations are essential factors of poverty eradication. The Government and UNCDF have agreed to the following direction/themes in support of poverty eradication through the development of high quality local governance institutions, systems, programmes and operations: coordinated participatory planning and budgeting; local revenue enhancement; gender mainstreaming; and strengthened local council administration of justice.

Among the issues to be addressed by the programme are: (i) effective involvement of all stakeholders, especially the marginalized (women, youth, farmers' groups etc.), in planning and budgeting in lower local councils and (ii) improving the quality of coordinated, strategic development plans in the respective local governments and enhancing their linkages with the budgets, so that in the end there is one strategic plan with a budget. Strategic planning ensures that plans are linked with budgets, comprehensive and integrated, cross-sectorial, gender sensitive, include poverty and environmental analysis, include lower local council priorities, include rolling one- to three-year priority plans, are influenced by the determination of national poverty priority areas and budgets etc.

- **Role of local planning modalities:** Potentially, local governments can better ensure horizontal co-ordination of line department staff, budgets and activities at the local level, and thus increase the scope for mutually reinforcing activities (e.g. that public health officials gear their activities to the borehole programme of the water department) and more effective overall service delivery performance. These hypotheses presuppose that (i) elected officials indeed are responsive to constituents, (ii) local government bodies can exercise control over local staff and (iii) there are procedures to ensure transparent procurement and contract management.

Local accountability

Accountability in the context of local governance is a multi-faceted concept, as it is both *upward* (accountability of local authorities to the centre) and *downward* (accountability of local authorities to their constituencies) or *horizontal* (control of government institutions by other public agencies) and *vertical* (accountability demanded from below by citizens).²⁸ As citizens may be better aware of the actions of their local governments than of the actions of the central government, practices of cooperation, vigilance, adherence and enforcement to rules of public sector integrity, anti-corruption and trust are more likely to be addressed in a situation where basic functions are devolved to local levels. The advantage of local authorities in delivering services derives from the (potentially) greater pressures for responsiveness and accountability on local government decision-makers.

One of the main challenges for many international donors supporting decentralization is to design decentralization programmes in such a way that they create “incentives that hold each entity accountable for its responsibilities and make explicit the institutional relations between each entity.”²⁹

In order to increase accountability, UNCDF programming encourages local governments to make necessary arrangements to involve local communities. It does this, for example, by adopting transparent budget processes, by using transparent public procurement procedures, and by using performance-based budgeting to allow constituents to know the nature and use of the inputs.

Local cost recovery

Individuals, households and communities will be willing to pay only for services and maintenance costs which are demand-responsive and match their priorities and preferences.

Sharing responsibilities

The various local stakeholders share specific responsibilities in order to improve delivery of infrastructure identified in the local development plans (for instance, to provide a basis for competition between services providers).

Maintenance of infrastructure and sustainability of services

Potentially, when the planning and provision responsibility is devolved to local governments, infrastructure and services are more effectively operated and maintained to benefit the poor in the longer term.

- **Increased local pressure:** Generally, and in contrast to central agencies, local governments face greater incentives and daily pressure from local constituents to ensure proper operation and maintenance of local facilities. They are also better aware of the specific sustainability problems of different local services.
- **Recurrent budget commitments:** The greater scope for plan and budget integration at local levels better ensures that longer term recurrent budget and staff planning of line departments matches the local infrastructure investment programme, and so works in favour of sustainability.
- **The prospect of ‘co-opting’ communities:** Local government bodies are usually better-placed to negotiate with local community groups to ensure that respective maintenance responsibilities are clearly defined, and to monitor and backstop this.
- **A chance for institutional permanence:** As infrastructure/service providers, statutory local government bodies enjoy much greater permanence than other local institutions such as NGOs, often dependent on the vagaries of donor funding.

INSET 8: DEMOCRATIC DECENTRALIZATION AND POVERTY REDUCTION IN MOZAMBIQUE

In Mozambique, the reduction of absolute poverty is the priority of the Government, in particular through its *Action Plan for the Reduction of Absolute Poverty, 2001-2005* (PARPA), its equivalent of the Poverty Reduction Strategy Paper (see section 2.2.3). The PARPA recognizes the need for (i) democratization, to create genuine opportunities for popular participation and involvement in policy formulation and implementation; and (ii) decentralization, to ensure that regional and local organs of the state have the necessary autonomy and flexibility to turn popular participation at the local level into a meaningful reality.

Within the context of the Mozambique decentralization strategy, UNCDF is supporting the Government of Mozambique, in partnership with UNDP and with financial support from The Netherlands, Norway and the Swiss Development Cooperation. The programme (*Support to Decentralized Planning and Financing in the Provinces of Nampula and Cabo Delgado*) supports participatory and decentralized planning and financing of public resources – focused on the lowest tier of government, the district. It has three main components:

- **District Planning:** The development of long-term strategic and multi-sectoral district plans and planning processes;
- **District Financing:** The establishment of methodologies for the efficient programming and disbursement of the Local Development Funds (LDF) for small-scale social and economic infrastructure through the annual planning cycle; and
- **Community Participation and Dialogue:** The promotion of community dialogue and participation in the district planning processes.

A strong capacity building element for provincial and district technicians, as well as local communities and local contractors runs through all three of these components.

In 2002, the UNCDF Programme entered its second phase with

a long-term objective to promote socioeconomic development and poverty reduction through improved local governance. The immediate objective of the project is to improve access by rural communities to basic infrastructure and public services, through sustainable and replicable forms of decentralized participatory planning, financing and capacity building at the district level. The programme provides an important opportunity to integrate the decentralized planning, infrastructural development and capacity building processes it develops with:

- i) The strategies and activities proposed in PARPA and the Public Sector Reform Strategy;
- ii) The more coordinated, multi-sectorial, participatory and decentralized approach to rural development adopted by the Ministry of Agriculture and Rural Development;
- iii) The national HIV/AIDS policy;
- iv) The initiatives in the area of community-based natural resources management facilitated by recent legislation with respect to land, the environment, and forestry and wildlife resources.

A major feature of the second phase is the introduction of a more determined gender focus to ensure that the knowledge, experiences, views and interests of women are adequately reflected in the district planning processes. This involves, among other activities, efforts to increase the levels of representation by women at District Consultative Council meetings (currently about 15% of total membership); to strengthen female representation at 'participatory rural appraisal' meetings; and to ensure that women have a greater opportunity to share their knowledge, express their views and influence the debates and decisions at such meetings.

At the national level, the programme is housed in the Ministry of Planning and Finance. Upon a request from the Ministry, the World Bank is now planning to support the replication of the programme to four additional provinces, with a budget of approximately \$40 million.

5.5 DEVELOPING INSTITUTIONS

In line with those of other international organizations, a number of UNCDF reports and assessments argue that institutional weakness constitutes a major constraint in developing countries and that the entire debate on institutions is a crucial issue of development.

‘Institutional development’, which may be defined as the establishment (and enforcement) of clear rules (set of incentives and constraints or ‘rules of the game’) for local institutional stakeholders (i.e., ‘the players’) as well as the strengthening of these institutional stakeholders, is considered to be the crucial dimension of the UNCDF approach to poverty reduction. Institutional development relates to building organizational values and competencies, which development requires,³⁰ and refers more specifically “to the administrative bodies, systems, and mechanisms of government, both local arrangements and the intergovernmental mechanisms that help to manage and support decentralization.”³¹

By defining policies, managing resources, implementing investment and delivering appropriate services, local institutions are essential to local development and poverty reduction. They also shape actors’ identities, power and strategies.³² The sustainability of poverty-reduction measures is rooted in the institutional arrangements and organizations that emerge from local social capital and express local social cohesion (although social capital and cohesion are values difficult to assess).

As such, the focus on institutions comprises both institutional organizations and institutional arrangements. In fact, the UNCDF approach stresses three basic elements:

- The importance of an appropriate and sustainable institutional architecture with specific levels of governments, each with its own sphere of governance (see Inset 10);
- The importance of coherent institutional arrangements to define how decentralization can improve the involvement of each level of government (the institutional stakeholders) in public service delivery, local economic development, local environmental governance and transparent fiscal decentralization;
- The emphasis on the dynamics that institutions (both organizations and norms) are capable of generating, especially in terms of

INSET 9: LOCAL GOVERNMENTS FOR POVERTY REDUCTION IN TIMBUKTU

The Timbuktu Rural Local Government Support Project (*Projet d'Appui aux Communes Rurales de Tombouctou, PACRT*) covers a large part of the Timbuktu Region in Mali. The area is severely affected by poverty, and comprises about 235,000 inhabitants, dispersed in 448 different sedentary agriculturalist villages and pastoral nomadic groupings over a very broad area, making up 27 administrative communes. Distance between villages or nomadic groupings may reach 200 km, and the size of human settlements is only 100 to 600 persons among sedentary populations and 10 to 30 persons among nomads. The territory of each commune is very broad. The commune of Salam, for example, has an area of about 125,000 km² – nearly four times the size of Belgium.

This UNCDF initiative has contributed to setting up the institutional framework by creating or consolidating and disseminating adequate planning tools, and by building the capacity of local stakeholders in a number of areas. Additionally, it has assisted the newly created local *communes rurales* (local elections in Mali took place in 1999, just after the start of the project) in defining their own social and economic plans in a participatory manner and implementing them. In the first three years of the project, the 27 communes implemented 262 different types of investments in rural infrastructure and services, at a total cost of about US\$2 million. The population identified the projects according to its own priorities and knowledge of local constraints. Local line departments monitor the quality of the infrastructure.

The project is currently defining an adequate system to comprehensively collect and analyze evidence on the effects of the physical infrastructure on the productivity and livelihoods of the poor – as well as the impact the project is having on the development of effective local governance. Initial evidence shows that local poverty is alleviated not only through rural infrastructure development, but also by emphasizing human development, particularly in the areas of basic health and education.

releasing the energies of the poor and channeling them towards a collective management of local development. From a perspective of sustainability, the effort is also to provide full legitimacy to existing social and government structures rather than empowering ephemeral organs that will last the lifetime of a project. This will also avoid any discrepancy between the time allocated to a 'project' and the time necessary for more substantial political and institutional changes.

A basic assumption of the UNCDF approach is that complete decentralization cannot be accomplished and is not even desirable. It should also be pointed out that some re-centralization might even be necessary to ensure that the needs of the poor are not ignored.³³

Institutions at the central and provincial levels are sometimes better suited for assessing broader problems and trends (such as ensuring significant pro-poor policies) and for acting as arbiters to solve certain local conflicts (see section 7.2.1 on the macroissues dealt with by central government). A worldwide study of decentralization experiments in many countries revealed the most successful pro-poor experiments have involved a pro-poor ideological commitment from the government, as well as a readiness to actively engage in local politics (even for political selfish reasons) and to challenge resistance from local elites.³⁴ To that, it should be added that poverty is fundamentally a national problem and that local government efforts to reduce poverty should be viewed within the broader national context.

The importance of efficient coordination among all stakeholders, including higher levels of government, must be stressed.³⁵ To take one example: in Mali, two UNCDF projects are assisting the Association of Malian Mayors to assess the progress of decentralization, to identify present constraints and bottlenecks, and to define the way forward, in order to play a key role in advocacy, research, and local government institution-building. From this point of view, as sub-national authorities are just one stakeholder among others, decentralization essentially involves setting up networks of different actors on the basis of three key principles:

- *Subsidiarity*, by which all planning and implementing activities is the responsibility of the level closest to the grass-roots, because of the comparative advantage of each institution (a higher authority

would act only if a lower authority cannot act or has proven its incapacity to act);

- *Complementarity*, by which each institutional level will operate in its own areas of action according to its own responsibilities and the principle of ‘tangled powers’, (whereby the same area of action may be affected by different institutional levels, in a different manner but at the same time);
- *Equity*, by which the rights over local resources of all local stakeholders are legally recognized and legitimized.

There is no clear division between types of public services and levels of government, as several levels of government may be involved in many types of services and infrastructures and the same services may need the involvement of several institutional levels. In other words, “the problem is to determine how the different levels of government could and should operate.”³⁶

5.6 BUILDING LOCAL CAPACITY

At the heart of the UNCDF approach is an emphasis on building and strengthening local capacities: the capacity of sub-national governments to plan, implement, manage, and assess local development policies and strategies (especially because local low capacity is used as an argument against decentralization) as well as the capacity of the organizations of local civil society.

The debate on local capacity is broad. It is pointed out that central government cannot devolve significant power to local institutions and to local authorities, because they lack essential technical capacity. Some central bureaucrats regard not only local leaders, but also newly elected authorities as unlettered, rustic, inexperienced and/or corrupt. In particular, locally-elected people are considered blind to the larger concerns which animate those at higher levels in the system.³⁷ However, it is also argued that local authorities (and other local leaders) will not develop real technical capacities without some form of effective transfer of authority and resources.

On this matter, UNCDF adopts a pragmatic and dynamic approach. As local governments of young democracies are still very fragile,³⁸ the approach recognizes that the decentralization process is dangerously

ambivalent. If the process is not carefully managed with the right capacities built and/or improved, the strengths of decentralization can be transformed into their opposites: expected efficiency becoming inefficient; responsible management being all but responsible; and expected autonomy turning into dependency.³⁹ In this worst-case scenario, accountability procedures are still limited or poorly performing, and the participation of all local stakeholders is seldom satisfactory.

Although important, capacity building should not be considered an absolute pre-condition to decentralization. It should rather provide concrete incentives — in terms of investing in capacity building or seeking “creative ways to tap into existing sources of capacity”⁴⁰ — to public officials, the private sector and civil society on how to be responsive to their constituencies. This will require an emphasis on specific knowledge concerning participatory planning and programming, budgeting, financial management, procurement, and monitoring and evaluation.

Effective capacity building can be considered a multi-layered component, addressing all local stakeholders:

- i) *Local governments* in their specific role to plan, programme, budget, implement and monitor different aspects of local development as well as to exercise legality controls. This comprises their capacity to respond to local needs and priorities; their capacity to provide technical and financial support and their capacity to deliver services at low cost.
- ii) *Deconcentrated governmental services* (both at provincial and regional level) in their role to provide appropriate technical support to local authorities. The current debate has stressed the need to support deconcentrated services; it has been argued, for instance, that “there is more complementarity than contradiction between deconcentration and decentralization;”⁴¹
- iii) *Organizations of local civil society* (including NGOs, village organizations, women and youth associations, interest groups — such as pastoralists associations — customary leaders, etc.) in their (potential) role to participate actively in the identification, design, implementation and monitoring of development activities as well as in the provision of technical services. As previously discussed (see section 3.4), current thinking stresses the role of civil society and its enormous potential impact as an agent for improved policies toward the poor and for their enhanced participation in the policy process.

INSET 10: INSTITUTIONAL ARCHITECTURE AND POVERTY REDUCTION: EXAMPLES FROM MALI, NIGER AND UGANDA

The UNCDF institutional approach does not stress the multiplication of planning, budgeting or implementing institutions. Rather, it focuses on the dynamics generated by institutions. Thus, institutional architecture is not a goal *per se*, but rather a strategy addressing the sustainability of the process of poverty-reduction. UNCDF contributes to strengthening various formal bodies and to clarifying their interactions. However, in certain circumstances, according to the characteristics of its experimental approach, it may either create institutions that will correspond to formal institutions already provided by the law or design new institutions, prefiguring future formal bodies. Examples of the institutional architecture advocated by UNCDF are provided here at three different levels:

- At the grass-roots level, institutions ensure that the poor participate in decision-making processes and benefit from investment. General problems encountered include: (i) the breaking down of local-level institutions, (ii) the erosion of traditional solidarity mechanisms, (iii) the dispersion of people over broad areas making extremely difficult consultation and collective action and (iv) the marginalization of women from local politics. However, the Mali project has attempted to provide informal grass-roots councils with adequate legitimacy and to devolve specific roles in planning, implementing and monitoring a variety of poverty reduction initiatives. Both in agriculturalist sedentary and nomadic pastoralist areas, customary leaders and additional 'resource persons' (with a significant proportion of women) constitute a 'Grass-roots Planning Committee' whose role is to relate the whole participatory planning process to local social interactions and existing *rappports de force*. This framework, affecting the entire area covered by the project (235,000 persons in 27 communes and 448 settlements) to a great extent facilitates the implication of the poor in decision-making processes and in local politics.

- In Niger, two UNCDF projects (in Mayahi and in Nguigmi) operate in a context where decentralized local government has not yet been put in place. Since the end of 2000, the two projects have assisted with the creation of 13 experimental 'pre-communes' — with a population of about 380,000 persons. This has taken place with the involvement of the *Haut Commissariat à la Réforme Administrative et à la Décentralisation* (the national body officially in charge of decentralization) in the supervision of informal elections and the creation of 'shadow' local councils, which pave the road for formal councils. In addition, the two projects, in partnership with a special National Land-use Commission (*Secrétariat Permanent du Code Rural*) have put in place experimental institutions, with specific roles related to the access to and use of local natural resources by group users, the prevention and management of land-use related conflicts, land titling, and the like ('commune' land-use committees).
- At the national level, in Uganda, the 'Local Government Finance Commission' (LGFC), whose mandated functions were assisted by the UNCDF-supported District Development Programme (DDP), is a key actor in the decentralization and poverty reduction process. Some of its key mandates include: (i) advising the President on all matters concerning the distribution of revenue between the Government and Local Governments and the allocation of money from the consolidated fund to each local government; (ii) considering and recommending to the president, in consultation with the National Planning Authority, the amount to be allocated as equalization and conditional grants and their allocation to each local government; (iii) considering and recommending to the president potential sources of revenue to local governments; and (iv) advising local governments on appropriate tax levels. In the context of the new DDP 2, the LGFC will continue to play an important leadership role in the process of revenue enhancement.

Additionally, the capacity building that UNCDF projects promote may also address representatives of the central government in order to improve their understanding of the changes in their roles and responsibilities brought by decentralization. This is in line with a view that considers decentralization as a restructuring of the roles of different levels of government; decentralization is not a zero sum shift from central to local government or to local bodies.⁴² Instead of delivering services, the central government should regulate and supervise the quality (e.g., efficiency and equity) of the services delivered by local governments and other stakeholders. UNCDF strongly supports the conclusions of several international organizations which point out that only strong and supportive central government institutions are able to make the role of local governments more effective, which is in opposition to any misleading dichotomy between ‘bottom-up’ versus ‘top-down’ approaches.

UNCDF’s capacity building component addresses the following key issues which are likely to influence the performance of decentralized local governance and will increase its impact on poverty reduction:

- i) *Human capital*, including technical capacities. This includes basic skills and knowledge that local governments need in order to carry out their specific responsibilities. Recent literature, by addressing the role of education (and health) in the process of economic growth, stresses the “virtuous cycle of development”: policies improving ‘functionings’ lead to faster economic growth which in turn provides the resources to finance further improvements in health and education⁴³ (the concept of ‘functionings’, introduced by Amartya Sen, defines the ability of people to do certain things and to achieve certain types of being). Human capital also refers to the assessment of local problems, resource mobilization and management, promotion of inclusive participation and partnership, communication as well as prevention, management, and resolution of local-level conflicts such as land use-related conflicts;
- ii) *Physical capital*, including necessary equipment and technology as well as the material means needed by local governments to carry out their tasks;
- iii) *Incentive structures* for local government staff, especially in terms of salaries and other benefits.

INSET 11: CAPACITY BUILDING FOR POVERTY REDUCTION IN ERITREA

In Eritrea, UNCDF's 'Anseba Local Development Fund' (ALDF) Project is supporting a programme to decentralize the planning and financing of local development in 10 different sub-districts. The project has two general objectives: 1) to reduce poverty as a basis for sustained self-development; and, 2) to institutionalize a community-driven planning and financing system that is capable of delivering pro-poor infrastructure and services.

The project is using micro-project funding as the incentive to develop:

- Community capacity to identify, deliver and maintain locally planned and implemented projects;
- Sub-council capacity to support community-based development initiatives;
- Sub-councils as the key instrument for local planning and implementation;
- The 'parent' regional council's ability to translate sector-based investments into area-based and locally prioritized development initiatives;
- The regional council's ability to define poverty;
- The regional council's ability to establish links between micro-project implementation and poverty reduction.

Eritrea is now trying to transform peace into a positive outlook for development and poverty reduction. One such development aim is to decentralize the development process to communities and local government. Unlike other countries, before its most recent war, it already had a statutory framework to support decentralized local development – the Proclamation to Establish Regional Administration (PERA) – but the Government never had the chance to implement it.

Without capacity building, decentralization will not be able:

- To avoid the risks of local elites capturing local political processes⁴⁴ and usurping influence and power;
- To prevent the tendency towards social fragmentation and economic marginalization of some social categories (e.g., women);
- To decrease polarization between population groups and the emergence of violent conflicts.⁴⁵

While capacity building is an integral part of the process, it should be noted that several mid-term evaluations of UNCDF projects have highlighted the difficulties that local authorities sometimes have in absorbing all the necessary skills within the relatively short time-frame of the project.

5.7 ALLOCATING FUNDS TO LOCAL GOVERNMENTS

UNCDF provides local governments with block grant transfers to spur performance, to help build incentives in the institutional development process and to ensure that the resulting capacity includes the means to deliver the locally determined micro-projects.

The ‘Local Development Fund’ (LDF) is a financial facility aimed at supporting local governments’ budgets for the financing of rural development and poverty reduction. The local government receives its annual allocation only if it is judged to be in satisfactory compliance with minimum conditions, such as key official regulations and prescriptions (e.g. satisfactory book-keeping and audit report; prescribed committees established and functional) (see Inset 12).

Given the capacity and institutional weaknesses of local governments, most current UNCDF projects adopt an incremental approach, distinguishing lighter requirements in the first and second year, and more stringent requirements in the following years.

Furthermore, the approach stresses the importance of performance criteria, whereby the annual allocation is adjusted to reward or to penalize improved (or worsening) performance on key policy objectives (e.g. rates of local tax collection, the pro-poor content of the investment plan, the adequacy of maintenance arrangements in place). The general objective is to provide local governments with more time to ensure

compliance with rigorous minimum conditions and, more important, to adapt capital injections according to local governance capacity.

The allocation of the LDF is a critical issue in designing a programme that is responsive to the poor. The majority of UNCDF projects do not use an open application process (in which eligible bodies would submit proposals for projects — the model adopted by the social funds), but rather an approach that uses predetermined block grants.

In UNCDF projects, basic annual allocations to municipalities usually amount to about US \$2 to \$4 per capita. This corresponds to an allocation of \$1.50 to \$3.00 per capita per year which most international organizations consider to be sustainable and absorbable in the context of local governments in LDCs.

Fund allocations need a formula to be effective (see Inset 13). A general tendency of UNCDF projects is to use several variables to better reflect local variations, especially in terms of poverty, and to reduce regional disparities. Drawing from existing best practices, it is believed that an equitable allocation formula should try to respect:

- i) Simplicity (easily understood by as many stakeholders as possible, to provide for a maximum amount of transparency);
- ii) Verifiability (objective and verifiable criteria, based on verifiable data that are generally agreed upon);
- iii) Equity (leading to equitable — not equal — allocations).

LDFs allow eligible stakeholders a large selection of investments, especially in terms of infrastructure types and public services (see Inset 14). UNCDF projects support the participatory establishment of operations manuals with detailed mechanisms and procedures supporting transparency and accountability.

5.8 STRENGTHENING FISCAL DECENTRALIZATION

The inherent mismatch between the optimal decentralization of public expenditures and the optimal decentralization of public revenue collection is at the heart of the fiscal decentralization policy challenge. It is now generally agreed that few local governments outside large cities can finance their expenditures from their own resources and that they need central support.

INSET 12: PROVIDING CAPITAL FUNDING TO LOCAL GOVERNMENTS⁴⁶

UNCDF is working with a range of different approaches in the provision of capital funding to local governments. In Senegal, for example, the programme requires a prior ‘eligibility voucher’ from local governments, to be provided by an official sub-district committee (*Comité Départemental d’Approbation*).

The Mwanza Support to Local Governance programme operates in Tanzania at different institutional levels. A distinction is made between the minimum requirements at district level (such as existence of a District Development Plan), at sub-district/village level (such as existence of a village development plan, documentation of the presence of statutory 25% women in local committees) and sub-district/ward level (ward development plans).

The same multi-level approach is adopted in Ethiopia by the Woreda Development Fund Project, operating both at the Woreda (District) level and at the Kebele (sub-district) level.

In Cambodia, in the CAREERE/Seila programme, it was required that contributions of beneficiaries and other local resources complement the transfers from the Fund.

In the Zambia’s District Development Planning and Implementation project, in the Eastern Province, clear guidelines stipulate what minimum standard a council must meet (issues of financial management, socio-economic development planning, production and engineering, and management being covered) before it can qualify to access the District Development Fund.

The specific goal of fiscal decentralization is to give local governments greater responsibilities of taxation and expenditure as well as power to decide on the level and structure of their expenditure budgets. A local government, with the autonomy to make independent fiscal decisions, is considered by UNCDF to be a necessary pre-condition for fiscal decentralization. This autonomy involves taxing powers, to avoid an overly strong dependency from the centre as well as the authority to make allocations and prioritize competing demands.

UNCDF helps local governments assume responsibilities of their fiscal operations and improve their performance in the public sector by:

- Assessing existing resources and identifying potential resources;
- Identifying real fiscal responsibilities of local governments;
- Improving the management of transfers from the central government and improving the management of their own resources;
- Optimizing procedures in resources collection;
- Allocating resources among different levels and/or sectors of local development;
- Developing appropriate accounting systems;
- Defining information, management and auditing systems; and
- Training managers and leaders.

SUMMARY

Chapter 5 presented a few key perspectives on poverty and local governance by emphasizing the comparative advantages of local, elected authorities in designing, managing, supervising and monitoring local development measures and initiatives aimed at alleviating poverty. The chapter also presented how, within the context of newly-established democracies, with or without the entire set of formal decentralization reforms, UNCDF initiatives attempt to define the role of local governments in local development and poverty reduction.

INSET 13: SUSTAINABLE FORMULAS FOR FUND ALLOCATION

In UNCDF's Local Development Project in Guinea, the allocation of funds to each municipality (*Communauté rurale de Développement*) is a function of the degree of local absorption, sustainability and resource mobilization. Demography is the most common parameter in the formula, but other approaches currently being implemented in other countries include: the relative poverty of the population (Anseba Local Development Fund, Eritrea); the ecology, the enclosure and the number of existing infrastructure (Nguigmi Local Development Project, Niger); the remoteness and the infrastructure endowment (Support to Local Government in Timbuktu, Mali); the population density; the need for basic services; the vulnerability of local populations to natural calamities; and the accessibility of the area (Woreda Development Fund, Ethiopia).

In the Support to Decentralization in Rural Areas, in Senegal, the basic allocation is complemented by additional bonuses that take into account demography, fiscal performance and the people/infrastructure ratio. In Benin, the funds of the newly approved Support to Local Development and Local Initiatives Project will be allocated according to two key principles: (i) adequate provision of financial resources to local communes and (ii) compatibility of allocations with local capacity of absorption and with transfers from central state. The establishment of local allocations will take into account demographic data (50%), degree of poverty (30%), fiscal performance (15%) and degree of people participation in decision-making (5%). However, the full application of the criteria will be effective only from the second year on.

In Uganda, the District Development Programme II has tried to adopt a fiscal equalization formula in the allocation of central government transfers. Annual allocations to districts are based on population-based formulas, with weighted adjustments that incorporate development factors such as poverty indicators and land area, and attempts to reflect national priorities. In general, UNCDF considers poverty-based criteria as the most pertinent by far. In practice, however, their use is difficult because of the non-availability of reliable data.

INSET 14: ELIGIBLE INVESTMENT EXAMPLES

In Viet Nam, the Rural Infrastructure Development Fund programme has helped 122 communes (in 16 districts in two different Provinces, with a total population of about 700,000 persons) to rehabilitate and construct over 800 rural facilities, such as health clinics, irrigation schemes, small bridges, access roads, schools, markets and power systems. In Nepal, the Local Development Fund finances economic and social infrastructure directly related to: improving access to social services, enhancing human capital, promoting local economic development or improving human welfare.

Mali's Support to Local Development in Timbuktu project identifies as eligible: social, cultural and education infrastructures (wells, boreholes, health centres, schools) administrative infrastructures (buildings) economic or productive infrastructures (markets, feeder roads, vaccination parks) economic facilities (mills, water pumps) measures aimed at rehabilitating forests, grazing areas, soils). A similar approach will be adopted by the new ALDF in Eritrea.

For equity purposes, in Cambodia, the CARERE/Seila Project's LDF aimed at correcting structural differences in the respective potential of the local Councils to mobilize own source revenue. Finally, some projects, like the Support to Decentralization in Rural Areas in Senegal, define priority investments with precise regulations (70% of pluri-annual ceilings for social and economic infrastructure, 20% for income-generating activities, and 10% for environment-related measures). The local development projects in Niger stipulate that a certain percentage of the LDF (about 25%) has to be invested in initiatives identified and managed by women's groups.

Some projects have more complex funding mechanisms. In Guinea's local development programme, for instance, the LDF is sub-divided into (i) a Local Investment Fund to finance priority infrastructure at the commune level, (ii) a Village Investment Fund for investment at the level of village areas and (iii) a Inter-commune Fund for investment concerning two or more com-

munes. The Nguigmi Local Development Project in Niger distinguishes two components of the same LDF: (i) the Municipal Fund for investment related to social and economic infrastructure and services and (ii) the Community Development Fund for investment related to the promotion of on-farm and non-farm economic activities (these activities being identified and managed by village communities, under the oversight of their respective municipal councils). Similarly, both the Zambia District Development Planning project and the Nepal Local Development Fund have a District Development Fund, where 40% are for council projects that had a potential to generate revenue for the council, and 60% earmarked for village community-identified projects.

In addition to the general LDF, other projects are experimenting with specific funds (environmental or green windows) for investment concerning the environment and the management/protection of natural resources. For instance, in Mali, the Support to Local Government in Mopti Region project will allocate a special Support to Local Environmental Governance Fund to a limited number of rural communes whose natural resources are particularly degraded or fragile; and the Support to Local Government in Timbuktu project has an Inter-commune Fund aimed at financing environmental measures of two or more communes (on the assumption that sustainable environmental initiatives should mostly take into account agro-ecological rather than administrative boundaries). In Ethiopia, in the Sustainable Development Programme in Adi Arkay, the same experiment is being carried out in order to provide 32 sub-districts with a Kebele Agricultural and Environmental Fund specifically addressing locally-identified agricultural and environmental measures. However, in all these pilot experiments, environmental activities have to be integrated into a unique planning and budgeting system, supervised by local elected authorities.

CHAPTER 6 Framework for Action

The potential for success in the UNCDF strategy lies in its ability to provide complementary resources: technical assistance and small-scale grants. The way in which UNCDF delivers these resources — enhancing institutions, promoting Local Development Programmes (LDPs), advocating administrative, legal and land reforms — enables its efforts to empower local stakeholders, encourage local economic opportunities and promote delivery of social services.

The LDP is a flexible tool, allowing planning and implementation to occur in steps, and incremental knowledge gained in the process to be continually incorporated.

6.1 DEFINING A STRATEGIC TOOL FOR POVERTY REDUCTION

In the recent years since the publication of its policy paper *Taking Risks*, in 1998, UNCDF has:

- Moved towards an institutional development paradigm (with legally institutionalized stakeholders) and away from delivery through direct ‘project type’ instruments. Supported by democratic decentralization, the new focus is on programmes, through greater consultation with local stakeholders and on local ownership. Thus, UNCDF places the emphasis on local capacity to generate the micro-projects to solve local problems;
- Developed a flexible strategic tool, the ‘Local Development Programme’ (LDP), which is designed to support local development, decentralized natural resource management and decentralized planning and financing, within the context of poverty reduction. Lessons learned and best practices (in eco-development, rural financing, food security, and infrastructure provision and related areas) are also incorporated into the LDP strategy. In regards to local institutional stakeholders, the LDP has the following general objectives:

- ◆ To define and implement a coherent and sustainable institutional strategy that will strengthen their responsibilities;
- ◆ To provide them with incentives for collective action and operation;
- ◆ To make them capable to define, plan, and implement local development;
- ◆ To facilitate their support and ability to coordinate civil institutions capable of supporting the efficient delivery of infrastructure and social services, the effective promotion of local economic development, and the sustainable use of local natural resources.

Within the international development architecture, UNCDF has a clear comparative advantage with its portfolio of policy-based operations and its practice-based expertise. Its ability to match free technical assistance with its small-scale grant capital funding generates concrete public socio-economic investments that directly reduce poverty. Its portfolio in the realm of local governance offers a rich vein of growing practical experience as a basis for grounded research, advocacy and advisory work in local governance practice and decentralization policy.

6.2 ADOPTING AN INTEGRATED AND ITERATIVE APPROACH

The LDP approach establishes positive relations among different elements:

Reforms

Administrative, political, fiscal and land reforms, carried out at national and provincial levels, address legal and regulatory frameworks and are intended to create a clear and enabling environment. Reforms are both *pre-conditions* (as they reflect the political will to decentralize) and *accompanying measures* of LDPs (as they aim at revitalizing local politics). On this matter, a major role for UNCDF is to advocate reforms that (i) create opportunities to maximize the use of assets, (ii) are based on a more comprehensive understanding of the poor, and (iii) take into account the complex mechanisms that produce and reproduce poverty. In addi-

tion, in partnership with UNDP and other donors, UNCDF endeavours to upstream the lessons learned from its pilot projects into the national debate on pro-poor reforms and macropolicies. Thus, policy reforms themselves are not only pre-conditions and accompanying measures, but also a target or a key objective of poverty reduction programmes. It should also be added that through advocating and supporting such reforms, UNCDF and other development organizations will be able to understand more about local social and political dynamics and to build strategic alliances and partnerships with reform-minded groups and institutions.⁴⁷

In order to better understand the scope of reforms, other factors should be taken into consideration:

- In many countries, land reforms are particularly critical elements for economic development and for poverty reduction, because land issues, usually underestimated, are politically and socially complex. Lessons from existing programmes clearly demonstrate that successful adoption of natural resource management technologies for sustainable agriculture requires the establishment of clear land rights and policies.
- Administrative reforms (including civil service reform) may directly affect poverty reduction, by clearly defining who is responsible for the different components of the policy process (from policy initiation and formulation through to implementation and monitoring and evaluation) and by creating an enabling environment for democratic local governance (with pro-poor development as an objective).
- Fiscal reforms, especially inter-governmental fiscal reforms, are likely to have a direct impact on sustainable poverty-reduction initiatives, by involving larger political, institutional and social factors. A legal framework has the effect of determining the powers and the functions of sub-national authorities in service delivery (according to the principle of 'spheres of governance'). On a macropolicy perspective, legislative amendments can provide a framework of norms, regulations and rules for local governance.
- Finally, general macroeconomic policies and reforms can greatly benefit the poor: for instance, by expanding their opportunities to engage in productive and remunerative employment, by reducing

distortions in relative prices, exchange rates and trade policies and by removing trade restrictions on trade of agricultural commodities.⁴⁸

Local Governance

Different and complementary components of good local governance are aimed at reducing poverty and strengthening inclusive planning and programming approaches. For UNCDF, supporting local governance refers, more particularly, to:

- i) **Empowering local stakeholders:** Local administrations and legal institutions may exercise real power and responsibilities in a manner that is more efficient, responsive and accountable to all citizens. The UNCDF approach strongly favours the involvement of all categories of citizens, including women, in political decision-making. It also supports the removal of local barriers and discriminations by supporting formal institutions, while experimenting with informal 'shadow' institutions. Thus, democratic governance may create new spaces and avenues for people to fully participate in decision-making processes and have influence on local politics as well as favour the emergence of a dynamic civil society.⁴⁹ A key element of the empowerment paradigm adopted by UNCDF is the formulation and the implementation of a communication strategy guaranteeing the access of the poor to information (under the assumption that informed citizens may access services, voice their priorities and exercise their rights). Local private radios — for instance in Niger and in Mali — are supported in order to publicize the debate of local municipal councils.
- ii) **Promoting the local economy:** Local government, community-based groups and the private sector can work together to jointly create an enabling economic environment by managing existing resources, stimulating the economy, and increasing economic growth and employment. The intervention by the local authority, and its community and private sector partners is supposed to assist in creating an environment and infrastructure conducive to investment, and to provide seed funding and advice. An important aspect of this is the support to the growth of non-farm rural producing activities as an opportunity to reduce poverty.⁵⁰ There are natural syner-

gies between local economic development and poverty reduction: increases in education, literacy, employment, income and public investment in economic and social infrastructure are likely results of broad-based economic growth.⁵¹ However, economic growth is not always pro-poor⁵² and is not, *per se*, a sufficient condition for poverty reduction. The experience of many countries shows that there is no relationship between rates of growth and rates of poverty reduction.⁵³

INSET 15: LOCAL ENVIRONMENTAL GOVERNANCE

Local governments have a particularly important role to play in ensuring the sustainability of the local natural resource base:

- By managing the relationships of populations with their physical environment and their productive and renewable natural resources;
- By supporting viable institutions governing access to and use of productive natural resources (particularly common property resources);
- By defining mechanisms and procedures aimed at preventing, managing and solving conflicts arising from the access to and use and control over natural resources among different groups of users and/or different uses of the same resources by the same users (with measures at different institutional levels).

For UNCDF, the ‘local environmental governance’ paradigm is an institutionalization of its previous approaches based on community and participatory management of natural resources and agricultural intensification and fully acknowledges the new paradigms of the ‘poverty-environment’ nexus (see section 3.3). This approach is in line with a general democratic trend or shift “from externally orchestrated direct forms of democratic inclusion” to representative and legitimate forms of democracy under freely-elected local authorities.”⁵⁴

- iii) **Improving local social governance:** Local authorities may have specific roles in the delivery (and maintenance) of public social services (primary health and education, water and sanitation, transport and agricultural support) by taking into account: (i) the nature of each service; (ii) the intrinsic characteristics of the delivery; and (iii) the asset inequalities across gender lines. The challenge is to create an enabling environment and to embrace decentralized service delivery within a more qualitative demand, to get services and knowledge to grass-roots levels and to remote areas, and to promote opportunity. One of the key issues for local governments is to ensure that their own service provision priorities are in line with national goals, priorities, norms and standards.

By stressing the importance of a comprehensive framework (the LDP) and not of individual, independent micro projects, the UNCDF approach differs from the model adopted by the social funds whose initiatives are insufficiently or not at all integrated into policies of local governments. The three dimensions of local governance correspond to the three dimensions of poverty UNCDF is focusing on (lack of power, inadequate access to social services, poor access to infrastructure and insecure livelihood (see section 4.3) as well as to three sets of deliverables:

- Greater citizen participation and empowerment, access to and influence on public affairs, inclusive decentralization, and creation of institutional space for interaction between the public and the local state;
- Access of the poor to basic services (e.g., primary health, primary education);
- Improved access of the poor to basic economic infrastructure (markets, roads, etc.) as well as improved livelihood – through collective action for natural resource management (especially in terms of institutions, regulatory frameworks and technologies to improve productivity, maximize yields and minimize risks, such as crop failure, livestock diseases, etc.) and prevention, management and resolution of local conflicts.

Local Capacity Building

As previously stated, a major dimension of the Local Development Programme is the building and/or strengthening of local capacity. The challenge is to support and to manage the responsibilities given to local stakeholders by decentralization and to improve their performance. Without this component, the entire decentralization process, considered as a transfer of power and resources from the centre to local government, would be impossible. The process of democratic election and the process of selection on the basis of technical capacity do not match up; competence and democracy are two separate issues.⁵⁵

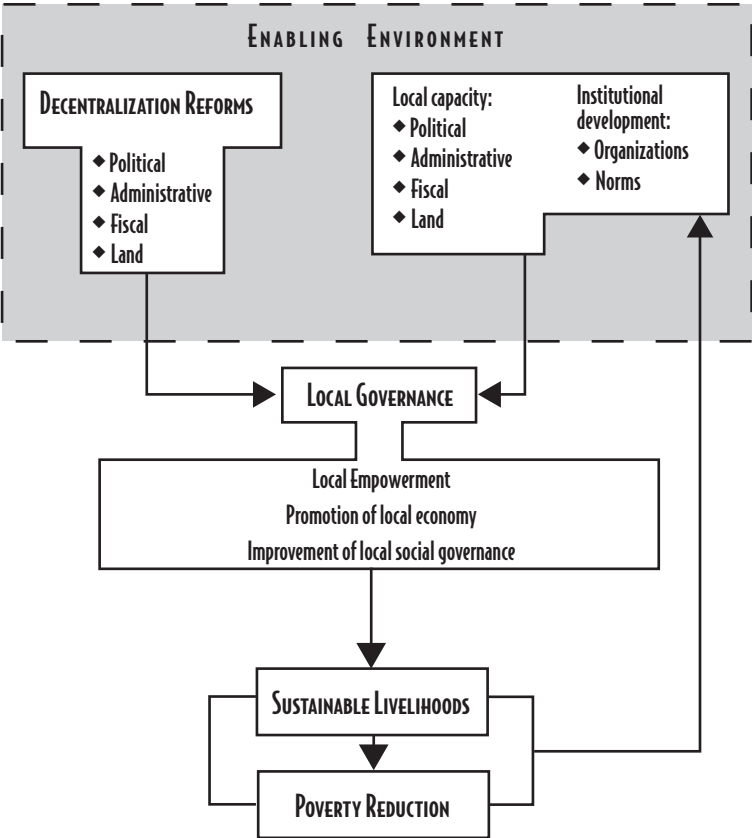
Local Institutional Development

It has been argued that the importance of institutions is one of the greatest insights learned from 50 years of development efforts.⁵⁶ As institutional weakness, especially in sub-Saharan Africa, constitutes a roadblock to development,⁵⁷ institutions are therefore the conduit to development. As previously stated, the institutional perspective of UNCDF addresses two distinct and complementary issues:

- i) *Institutions/organizations*: an adequate organizational architecture for local institutional stakeholders (the ‘players’), including local authorities, but not excluding others. The objectives are to enhance their efficiency and accountability and foster local governance within the framework of decentralization policies;
- ii) *Institutions/norms*: sound institutional arrangements to influence the behaviour of local stakeholders. Norms and arrangements are aimed at creating the ‘rules of the game’ for collective and concerted action, particularly for a range of mechanisms and procedures related to participatory planning and budgeting, incentives, prevention, management and solution of local conflicts.

The relations between all these different elements: reforms, local governance, capacity building and institutional development (see Inset 16) take place in an inherently changing environment, as the over-arching institutional building project of democratic decentralization is fraught with obstacles and is constantly threatened by reversal.⁵⁸

INSET 16: FROM LOCAL GOVERNANCE TO POVERTY REDUCTION



The link between local governance and poverty reduction necessarily involves the attainment of ‘sustainable livelihoods’. This concept comprises the capabilities and activities required to cope with stresses and shock, and to secure adequate living standards.⁵⁹ The concept attempts “to set the analysis of livelihoods within a comprehensive framework that encompasses policy and institutional processes at various levels, as well as micro-level conditions and determinants of livelihood.”⁶⁰ Among other issues, the sustainable livelihood paradigm suggests that:

- Local development requires specific institutional and organizational arrangements;
- Good governance may yield good results only if reforms tailor it to reach the livelihoods of the poor;
- The planning and budgeting systems and the capacity building highlight the importance of the livelihood priorities of the poor, the policy sectors that are relevant to them and the appropriate choices within each of the sectors;
- Local social capital and local ‘livelihood strategies’ are important factors not only to reduce poverty but also to influence the entire ‘policy’ process (i.e., how policy is made, what are the policy orientations, etc.);
- The policy process will ultimately influence the sustainability of local livelihoods. But domestic or political reforms are not always conducive to or sufficient for good governance or poverty reduction; they must be accompanied by institutional development and capacity.

Furthermore, the UNCDF model shows that, from a perspective where economic growth and political democratization are mutually reinforcing factors, successful poverty-reduction initiatives are likely to generate the conditions for new reforms, institutional development and capacity building. Also, economic growth and improved education/health reinforce the legitimacy of democratic decentralization. The educated poor, by participating in local politics and by being involving in local decision-making processes, may be in a better position to influence pro-poverty policies and reforms⁶¹ as well as to voice their own priorities.

INSET 17: POLITICAL CONFIGURATIONS, CIVIC VALUES AND DIVERSITY

Rural societies in Africa or Asia, where UNCDF projects operate, do not share similar political configurations or identical civic values. There are societies with strong central leaderships, as well as others that are organized along lineage lines with equal rights and with decision-making based on consensus.

Some UNCDF project work with societies that have strong norms and networks of civic engagement, involving important horizontal relationships among their members, (i.e., societies with a high social capital). Still other societies are characterized by a vertical architecture, made up of isolated, fragmented, and compartmentalized units (i.e., societies with a low social capital).⁶² Furthermore, most societies with which UNCDF works do not consist of stable institutions that perform various functions in consistent ways.⁶³

UNCDF has learned that, in terms of local determinants of poverty, there is no 'one-size-fits-all' local governance blue-print to address all situations. Access and control over productive resources determines the ability to earn a living or accumulate assets, the degree of which depends on one's participation in a variety of social institutions, material wealth and market transactions.⁶⁴

External political and economic factors not only aggravate the situation of the poor, but also foster their differences in terms of internal stratification and inequality. When resources are or become scarce, local power structures are a principal instrument of survival, a situation which may lead to differential insecurities for various social categories and individuals.⁶⁵ Thus, by implying varying pasts and futures, the adoption of the basic principle of diversity assumes a "diverse vision of the world, of the meaning of 'progress', and of quality of life and ways of being."⁶⁶

6.3 ADOPTING A STEP-BY-STEP LEARNING PROCESS

Poverty is multi-dimensional and most poverty reduction measures are necessarily complex. In addition, economic development and poverty reduction challenges faced by local governments in different countries are not homogeneous. Thus, the LDP is not — and could not be — a blueprint approach. On the contrary, it is a flexible tool which strongly emphasizes the variety of national and local situations.

For example, the driving force of decentralization in some countries is the search for national unity against centrifugal trends, while in others it is the empowerment of local governments and the creation of semi-autonomous entities. While they are subject to the same forces of economic integration, rural communities are characterized by the diversity of their political institutions as well as by their different adaptations to the external environment and have differential answers to their challenges⁶⁷ (see Inset 17).

The LDPs' planning and implementation cycle adopts a step-by-step process that is intended to , for example:

- i) Contribute to baseline studies concerning institutional analysis and poverty assessments. The latter focuses on the impoverishment process — or the 'whys' of becoming poor — its underlying determinants, the heterogeneity of the poor and maximizing the use of new promising instruments;⁶⁸
- ii) Design comprehensive project/programme documents, which define precise institutional setup and poverty targeting mechanisms (with logical frameworks identifying products, activities and indicators);
- iii) Establish clear financial mechanisms with the Government (at centre and local level) and with other partners — by stressing coordination and coherence;
- iv) Plan an efficient delivery system (usually with a small project support unit) aimed at providing local authorities with adequate technical support and financial resources;
- v) Define a consistent monitoring and evaluation system aimed not only at monitoring the performance of clearly defined outputs, but

also at assessing the overall impact of the project/programme on poverty reduction, governance, and local development policy and reforms. Ultimately, the monitoring system is intended to provide consistent reporting on the positive impact of decentralization on accountability, efficient resource allocation and cost recovery.

The chart of Inset 18 illustrates the entire process of setting up the key elements of LDPs, including institutional and financial arrangements.

Through its local development work, UNCDF seeks to adopt a test and a learning mode on local governance and decentralization. The result of these tests is the ‘up-streaming’ of lessons learned, towards sound principles of policy impact and replication.”⁶⁹

6.4 TARGETING THE POOR

The key LDP ‘targeting’ principles are as follows:

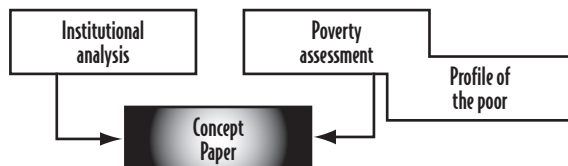
- Because of its very mandate, UNCDF operates in LDCs at the lowest level of the human development index: 14 out of the 17 countries where new LDPs are currently carried out are among the thirty poorest countries in the world (*see Annex*);
- By applying socio-territorial targeting, UNCDF operations target people living in the poorest rural areas. The underlying assumption is that the proportion of rural populations living below an acceptable standard has dramatically increased over the last decades because of a combination of ecological, economic, social and political factors.

The assumption of this mixed socio-territorial targeting approach is that it may (i) allow an explicit focus on the poor; (ii) account for a basic spatial dichotomy between the large administrative and industrial centres and the countryside where a subsistence economy predominates;⁷⁰ and (iii) avoid some shortcomings of spatial targeting (for instance, the risk of trapping people “in low growth areas without any guarantee that this will attract new investment and growth into the area, thus resulting in the creation of fictional growth points”⁷¹).

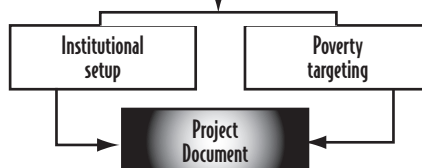
Another rationale is that it is in the rural areas especially that the poor rarely sustain coherent, encompassing political organizations and

INSET 18: THE LDP PLANNING AND IMPLEMENTATION CYCLE

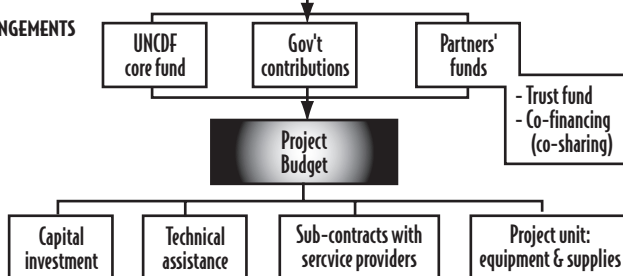
1. BASELINE STUDIES



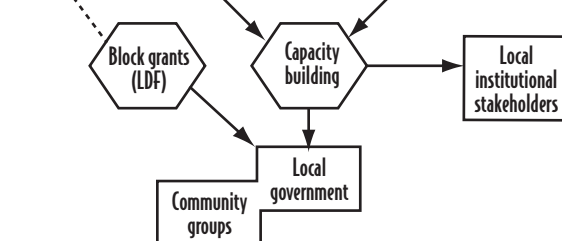
2. GENERAL DESIGN



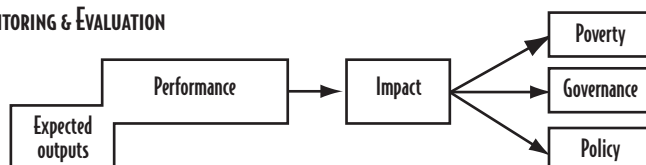
3. FINANCIAL ARRANGEMENTS



4. DELIVERY



5. MONITORING & EVALUATION



INSET 19: POVERTY REDUCTION: LESSONS FROM VIET NAM

The ‘Rural Infrastructure Development Fund’ (RIDEF) project, funded by UNCDF, AusAID, UNDP and the Government of Viet Nam, was designed by UNCDF as a pilot for testing a decentralized planning process of small-scale pro-poor infrastructure in Quang Nam and Da Nang provinces. A number of important, policy-relevant lessons have been learned through this project, such as the following:

- Local governments, such as communes and districts, are capable of identifying, planning and delivering small-scale infrastructure of potential benefit to the poor;
- Infrastructure delivery has been demand-driven and thus more appropriate to local needs;
- The use of development funds for commune and district capital investment has provided local authorities with a predictable source of funding and has simulated a realistic hard budget ceiling within which difficult choices have had to be made about project selection;
- Intrinsically and necessarily limited capacities at the commune level can be compensated for by timely and appropriate back-stopping and mentoring from district and provincial level staff as well as from consultants;
- Poverty reduction initiatives require that commune level investments be complemented by more strategic investments at the district level.

However, the local planning process has to face a number of important challenges, such as:

- The model had special difficulties in being adopted and implemented in the more remote, mountainous districts and communes of one of the two provinces, characterized by low population densities, great communication and travel constraints and very low overall human resource capacities; and
- Lack of adequate maintenance has progressively emerged as a particularly important issue.

tend to be responsive rather than pro-active in politics.⁷² On the contrary, the rural population is more naturally insulated from external economic shocks, less integrated in the monetary economy and more able to retreat into subsistence.⁷³

To be effective, however, this rural focus has to be supported by in-depth poverty assessments to take into account the internal stratification and diversification of local societies and the internal mechanisms that create poverty (an area which still constitutes a challenge for UNCDF) as well as the self-perception of the poor.

The rural-bias does not neglect the crucial catalytic role played by small or intermediate urban centres in rural areas. A major challenge for UNCDF is to include these centres in its rural perspective, because of the multiple social and economic linkages existing between them and rural settlements. Today, the rural/urban divide is subject to intense revision. Categories are increasingly becoming blurred, as multi-spatial households combine different sources in their livelihoods. The economies of small towns and their rural areas are interconnected: the economic sphere of urban-based populations is beyond the built-up area and, conversely, rural producers obtain a substantial proportion of their income from off-farm activities.

However, the rural bias simply stresses the present lack of equity in the allocation of resources between urban and rural areas, the inadequacy and low level of services provided to rural populations as well as the political exclusion of large segments of rural populations from politics. Furthermore, the UNCDF approach fully recognizes — without yet having a clear answer — some risks of leakage implied by regional targeting as the non-poor in poor regions benefit while the poor in rich regions are neglected.⁷⁴

In poor rural areas, UNCDF employs several tools to better target the poor. For instance, diagnostics and assessments lead to a better understanding of local poverty determinants and to the establishment of a typology of poverty ('structural' or 'chronic' poverty and 'conjunctural' or 'transitional' poverty);⁷⁵ resource allocation formulas take into account relevant poverty-reducing factors (such as child mortality), and allocation of grants that in addition to setting parameters linked to land area and population, adopt parameters which are poverty-sensitive (e.g., use of a geographical coefficient to take into account differential costs of

basic services and infrastructures) and the like.

As already pointed out, a major problem is created by differences among rural communities and by their inherent economic inequality. The results of anthropological studies show, for instance, that village communities are not egalitarian, despite the existence of different forms of corporate solidarity. Also, the social organization of a majority of rural societies, dominated by kinship links and patronage, hampers making units of collective action. In this context, the poor could be hardly considered an 'interest group'.

A final impediment to targeting the poor is created by the economic (non-) viability of sub-national governments whose rural constituencies have low or very low incomes, are weakly involved in market transactions, and are dispersed in wide geographical areas.

SUMMARY

Chapter 6 defined the key characteristics of the UNCDF framework for action. It presented its flexible strategic tool, the 'Local Development Programme' (LDP), which supports, in a coherent manner, local development, decentralized natural resource management and decentralized planning and financing. The LDP also provides local governments with adequate block grants for public investment. The approach is based on a number of integrated elements, such as: the necessary reforms, which, both as pre-conditions and accompanying measures, are intended to create a clear and enabling environment; different and complementary elements of local governance (i.e., local empowerment, promotion of local economy, and local social governance) and their set of deliverables; local capacity building; and local institutional development. The adoption of a step-by-step learning approach makes it possible to target the poor and to address, in a flexible manner, the variety of the conditions of being/becoming poor.

Determining the precise impacts of decentralization presents many challenges. Decentralization is not viewed as a panacea for poverty and its impacts are assumed to be highly influenced by other actors and other efforts. It can be difficult, for example, to attribute a reduction in household or individual poverty to any one factor, including improvements in local governance, as so many other potential influences are present.

Given the challenges, UNCDF evaluation methodologies focus on the increase in infrastructure and services beyond where they would have been without intervention. They also aim to determine how decentralization achieves positive results, but quantifying the extent of institutional leverage and service provision is, in the end, undermined by legitimate ambiguities.

UNCDF evaluates the impact of decentralization in three ways: asset generation and ownership at the village level; leverage created by local institutions; and the transfer of responsibilities and capital from the central government. The following explores each of these levels in more detail.

7.1 THE THREE LAYERS OF GOOD GOVERNANCE

7.1.1 The village level – asset generation

In its approach to poverty-reduction, UNCDF seeks to achieve two fundamental results, representing the first line of impact through local governance:

- Supporting local communities to create physical assets that are a basis for general use or local service provision (e.g., local feeder roads, clinics, schools);
- Encouraging local ownership of the assets created (including also the natural productive resources, with local institutional arrangements for their management).

The issue is whether, by direct attribution, such local assets have increased the accessibility of local populations to service provision and whether such an increase in services has a discernible (let alone statistically significant) impact on the indicators of multiple deprivations selected for the locality.

7.1.2 Local government – the embracing institution

UNCDF considers local government to be the ‘embracing institution’ to support village and ward community planning initiatives at the local level of intervention. At this level, as previously stated, there are three ways of testing local government’s attempt to lever better performance in favour of the poor: local empowerment, local social governance and promoting the local economy (see Inset 20).

The institutional context that conditions the specifics of performance, in terms of deliverables, is suggested as follows:

- **The political system:** comprising, for example, politics, party systems and electoral mechanisms (nature of the party system, electoral and representational mechanisms, candidate selection procedures, etc.);
- **The policy, legal and regulatory framework:** in essence, a summary of the national perspective, but viewed from local government (e.g., various dimensions of fiscal decentralization policy, local government staffing, sector devolution policy, assignment of environmental powers);
- **Organizational structures:** concerning the size of local government units, the number of local government tiers, the relations between councils and line departments, electoral and representative mechanisms, the relations with central institutions and so on;
- **Dynamic processes:** including participatory planning and budgeting approaches, local infrastructure and service provision, procurement and implementation arrangements, government – private sector - NGO partnerships, information and transparency mechanisms (e.g. publicly available annual reports) and so on.

INSET 20: LOCAL GOVERNMENT – THE EMBRACING INSTITUTION

Deliverables	Institutional variables in Local Government	Benefits from local governance
Local social governance: efficiency, sustainability, and poverty targeting outcomes.	Political Systems	■ Resources are allocated to better suit the requirements of the poor. ■ Resources are used more efficiently to benefit the poor. ■ Infrastructure and services are more effectively operated and maintained to benefit the poor. ■ Increased local resources are levered to augment service delivery.
Local economy: management/ productivity improvement and/ or conflict reduction outcomes.	Policy, Legal Regulatory Framework	■ Ecological issues are better understood in relation to the poor. ■ Impoverishment of the land is lessened because of more locally sensitive natural resource management, favouring the poor. ■ Land use conflicts are dealt with locally to embrace the needs of the poor.
Local Empowerment: improved access and empowerment, availability of info, greater citizen involvement/ interaction, improved perceptions.	Organizational Structures	■ Better information available to allow the poor to influence matters affecting their prospects. ■ More effective channels of communication open to particular marginalized groups. ■ Increased accountability from local government (both members and officials) to the community and particularly to the poor.
	Dynamic processes	

The focus for analysis at this second stage is to understand the leverage brought about by local governance, through the instrument of decentralization.

Regardless the variety of local contexts, the challenge is to establish whether the benefit exists and from what dimension of the institutional framework and its specific variables it flows. By capturing this, there is a chance of capturing the ingredients for success.

7.1.3 Central government – creating conditions for success

The national institutional framework and its capacity to deliver concerns the enabling environment and its ultimate commitment to decentralizing functional responsibilities and the resources to perform them (financial and human). This issue brings up a few important considerations:

- **Financing of local government:** a clear policy and unambiguous resulting law and supporting instruments are among the key elements.
- **Human resource management and development for local government:** the policy should be clear and the resulting law and supporting instruments should be unambiguous. The areas of supervision should be understood by both parties. This is particularly contentious in a decentralized local government system. The bottom line is the freedom for any council to hire and to fire its own personnel. There are various intermediate compromises that preclude such freedom, normally the intermediary of a Local Government Service Commission. The practice should then be considered from the local government perspective. A few concerns are: How does the recruitment, determination of performance and promotion work in practice? Does the process work smoothly at the local government level or is it cumbersome and subject to constant and unwarranted interference from the centre?
- **Planning and budgeting:** in local government these are the instruments that harness the decentralized financial and human resources available to that system. Planning is the institutional modality that links institutions and organizations between levels, across sectors and between different types of stakeholders. It involves monitoring and assessment, concerns ownership through participation

and links local basic needs to national policy and the programmes that emerge out of the process.⁷⁶

In addition, without the finances and personnel in place, there can not be no planning and budgeting. The relevant policies should be clear, and the resulting laws and supporting instruments should be unambiguous. Often these go as far as to prescribe not only the contents, such as a council development plan, but also the timing for the production of such plans within the national planning and budgeting cycle. The main concern is: Does the process work smoothly at the local government level or is it cumbersome and subject to constant and unwarranted interference from the centre?

In all three cases, the litmus test is evidence that the system of financial, human resources and planning/budgetary freedoms, through decentralization, empowers local government as a first step towards a wider notion of local governance — one where all local players are embraced in the local development process.

The reasons for any failure should be evident and measures to overcome the reasons should be understood. The reasons for success should be heralded as general principles, worthy of replication. If the success is local, is it applicable nationally? Whether local or national, can the success transcend national boundaries?

The essential point is that the planning and budgeting framework is the key instrument for articulating local governance in practice. In this sense, local governance is not just ensuring that public participation is included in the process: it is ensuring that legitimate local development needs that can be funded, are funded.

7.2 MACROECONOMIC CONDITIONS TO LOCAL GOVERNANCE

Within the ‘strategy, governance and action’ framework, as previously discussed (see section 6.2), there are three sets of deliverables that can reasonably be expected from an efficient system of local governance: citizen empowerment, natural resource management and basic services.

These reasonable expectations are, however, tempered by various assumptions and cautions. In other words, it would be naïve to suppose, let alone contend, that local governance is a panacea for poverty eradication.

The point is that local governance can help tackle poverty but is conditioned by macroeconomic concerns and national policy direction. These cautions therefore include: macroissues, some methodological problems and a need to interpret the institutional context.

7.2.1 Macroissues

A strategy of local governance through decentralization is not a sufficient policy response to address all poverty problems. Much else is also required. Even the most effective and viable local governments cannot pretend to address the whole gamut of poverty-related problems (see section 5.5). For example, local governments are ill-placed to directly address poverty problems deriving from global or national price or trade trends, to supply microfinance services, to develop agricultural technologies, and to be the most effective institutional base to promote social awareness and mobilization, land reform or union organization. In all these latter areas, market institutions, central government, civil society and NGOs possess far greater strengths. There are probably also limits to the effectiveness of local government poverty targeting. Thus, for example, they may not be best placed to implement and monitor fine-tuned welfare support programmes aimed at specific sorts of household, or they may be ineffective in the protection of certain sorts of vulnerable groups (e.g. local ethnic minorities), where political control of local government is in the hands of the dominant group.

While understanding that their role is to ensure that the range of quantitative and qualitative services are delivered as efficiently, effectively and equitably as possible, local government officials look to the centre of government in hopes of intelligent macroeconomic and socially cohesive policies and strategies to support all the fledgling initiatives that can spring from a system of decentralized local governance.

7.2.2 Methodological problems

Methodological difficulties exist in assessing the poverty impact of improved local governance through decentralization. Some of these challenges include:

- **Attribution:** Difficulties in linking results to causes plagues all policy and project impact evaluations, and is especially acute in this case.

Once it is accepted that decentralization is generally a necessary but not a sufficient strategy to achieve poverty reduction, it becomes clear that any evidence on changed poverty levels —whether positive or negative — cannot be automatically attributed to whatever advances or reversals in decentralization and local governance may have taken place. There are almost certainly other factors that also need to be taken into account. For this reason, it may then be more significant to correlate changes in decentralization with changes in more immediate and attributable outcomes — such as access to basic services — than in levels of individual or household poverty;

- **Comparison (or counterfactual):** Even the interpretation of improvements in service access outcomes is not simple. Since decentralization processes are almost always accompanied by continued flows of public expenditure, the registering of increased numbers of schoolrooms or water points, as compared to an earlier level, is in itself not indicative of the impact of decentralization. What is of interest is whether decentralized expenditure of these public funds is more effective, efficient, equitable or accountable than alternative, more centralized modes of expenditure of the same volume of resources;
- **The *It's not really decentralization* problem:** The interpretation of outcomes associated with decentralization is sometimes obscured by the imperfect nature of decentralization . For example, if local governments are provided with inadequate funds or inadequate expenditure discretion — as is all so often the case — then evidence of disappointing service outcomes can be plausibly, but unhelpfully, explained away by arguing that “it’s not really decentralization”;
- **Public perception:** Impact assessments may use surveys of public perceptions, but these too can be hard to interpret. Where decentralization features prominently on the national agenda, public expectations, and thus, disappointment can be unreasonably high. Similarly, as more public investment decisions are undertaken at the local level, official misdemeanors become more apparent and thus, paradoxically, greater transparency breeds mistrust and cynicism.

7.2.3 The institutional context

It is important to move on from the foregoing considerations of whether decentralization and improved local governance promote poverty reduction, to examine how this works itself out. This then leads us to recognize that national or local experience or context differences can play a part in strengthening or weakening various mechanisms. The following illustrations of different types of context or experience are important to consider:

- **History, constitutional and institutional set-up:** In some countries local governments have been in existence for decades; in others they are very recent creations. In some countries local government is enshrined in the constitution, in others only in parliamentary legislation. The populations and geographic areas covered by local governments can vary enormously: Zambian districts may have 500,000 residents, while Malian Communes may only have 10,000. Yet again, some Malian communes measure several thousand square kilometres in size, while Ugandan sub-Counties may cover less than 25 square kilometres. At the same time, some countries have set up several tiers of local government while others maintain only one sub-national tier. In some countries local line departments and staff are under direct council management and control (e.g. Uganda), in others there is a dual supervision arrangement (e.g. Tanzania or Ethiopia), and in yet others line departments are pure deconcentrated bodies quite separate from councils (e.g. Senegal or Mali);
- **Local systems, procedures and practices:** Decentralization and poverty reduction are affected by the transparency and inclusiveness of local planning procedures, the soundness of decision-making arrangements, the adequacy of planning-budgeting integration, the transparency and competitiveness of procurement and contracting procedures, the effectiveness of communications by local bodies with the public and arrangements for partnership by local bodies with NGOs or private firms;
- **Policy and legal framework:** The overall adequacy and clarity of legal powers conferred to local bodies, fiscal decentralization policy (the tax powers conferred on local bodies, the volume of resources transferred, the flexibility allowed in their use, the clarity of expen-

diture assignments, and so on), human resource policy (the extent to which local bodies are allowed to manage staff, the training provided, the incentives for performance), sector devolution policies and the extent of staff and budgetary resource devolution to match responsibilities;

- **Politics, party systems and electoral mechanisms:** In some countries there is a virtual one-party system, while in others there are several parties participating openly. That aside, candidate selection mechanisms are in some cases centrally controlled, in others they may be locally determined. In some countries locally elected officials represent geographic communities (wards), while in others they are elected on a proportional/party list basis. In some countries council chairpersons are elected by fellow councilors, in others they are elected directly by constituents from the whole area.

7.3 IMPACT ON POVERTY

The dilemma of poverty is “the most glaring and fundamental” of the issues confronted by most countries (especially in Africa), regardless of their regime or ideology.⁷⁷ Therefore, the desired result from all institutional reforms, through various local governance initiatives, should be a discernible improvement in key poverty indicators.

UNCDF’s local governance programmes operate under the fundamental assumption that local democratic governance, through the instrument of decentralization, improves the conditions of the poor. Generally speaking, however, measuring the impact of decentralization on poverty reduction is “fraught with enormous difficulties”⁷⁹ because (i) situations with or without decentralization should be compared; (ii) decentralization-related measures should be distinguished from other sectorial interventions; and (iii) any analysis would require time.

There are both direct and indirect results of UNCDF’s approach. The direct impact is at the institutional level, most widely defined, and at the levels of the international donor community (including the international frameworks and initiatives presented in Part I), national governments, local governments, and rural communities. Furthermore, the impacts, as presented in Inset 21, involve (i) the creation of an enabling environment through policy, law and regulation; (ii) the development of systems’ capacity, particularly at the local level; and (iii) mobilizing community involvement in the local development process.

UNCDF experience confirms the assumption that poverty can in fact be achieved through local democratic governance, subject to three important conditions:

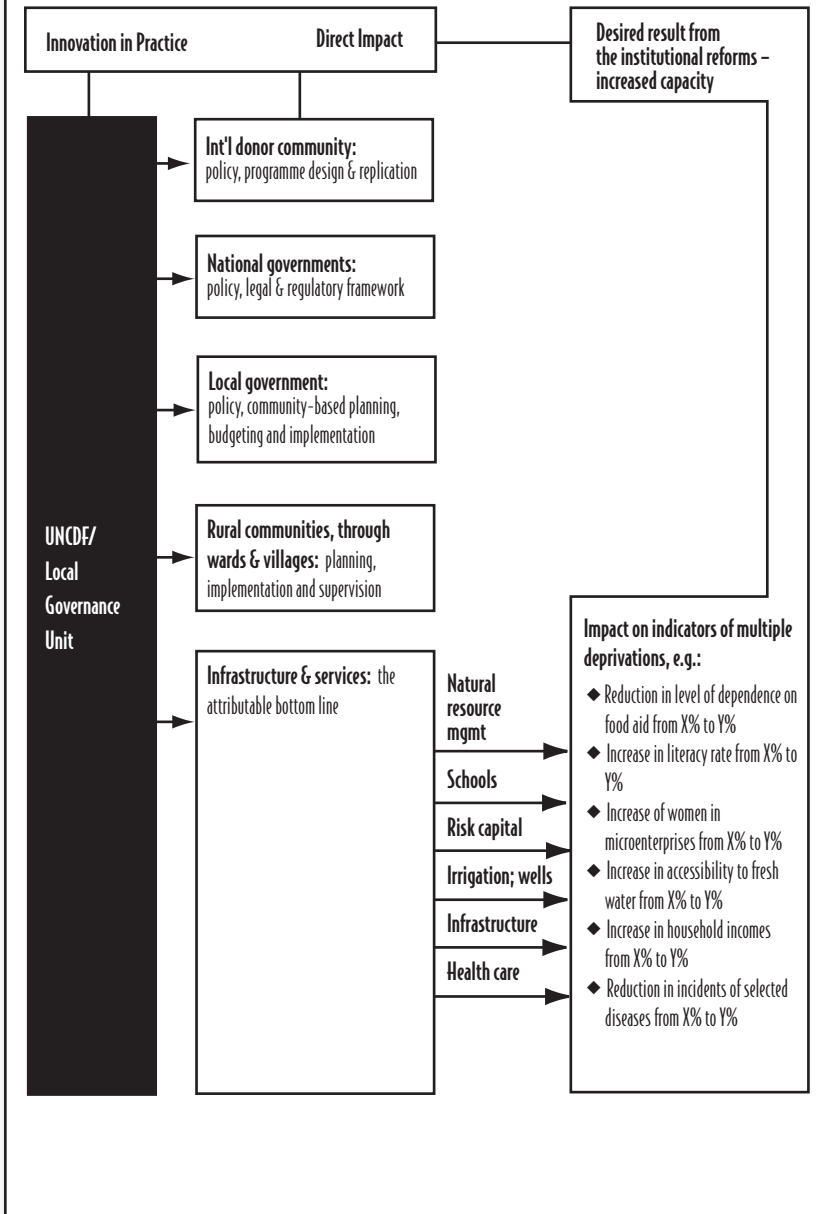
- Macroeconomic policy and national economic management are conducive to economic growth, which includes both the systemic and structural imbalances between regions;
- Infrastructure and service provision arising from the local governance (institutional) reforms are seen as being mediated by local development planning and implementation initiatives that are not solely dependent on outside investment;
- Local government is the final arbiter on the resulting infrastructure and services impact on indicators of multiple deprivations, with the guidance of central government (for data collecting consistency).

Ultimately, the final result of an enabled and empowered system is a more locally-sensitive and sustainable process of local development, leading to the delivery of infrastructure and services that meet local needs. New community assets, especially when they are supplemented by local government investments and services, may have a significant impact on local livelihoods.

SUMMARY

Chapter 7 attempted to give a positive answer to the fundamental assumption that local governance, through the instrument of decentralization, dramatically improves the conditions of the poor. This chapter also presented the attributable impacts of UNCDF's work in the field of local governance as being manifest: i) at the four levels of institutional reform; *and* ii) with the results of the infrastructure and services funded through its capital funding.

In short, interventions to support local governance make a significant contribution towards improving the delivery of infrastructure and public services. The impact on poverty resulting from these programmes is normally a consequence of both the local governance achievements directly attributable to initiatives supporting decentralization and other, mainly public, investments.

INSET 21: IMPACT OF LDPs

EMPOWERING THE POOR

Part III: Conclusion

Without the slightest doubt, the two great challenges of the 21st century are peace and poverty — securing more of the former and less of the latter. In the aftermath of the events of 11 September 2001, the broad current discourse is addressing, more than ever, the sound and persuasive linkages between them, as it is well-being which will bring peace and it is peace which will ultimately reduce poverty.

CONTRIBUTING TO THE ATTAINMENT OF THE MDGs

UNCDF's agenda is firmly rooted in its contribution to the attainment of the Millennium Development Goals in the Least Developed Countries. However, as MDGs do not analyze the roots of poverty and do not provide a road map to poverty reduction, but only a general poverty-reduction framework, UNCDF is taking concrete steps to translate targets and indicators into strategic choices at the local level.

It is essential to stress the importance of MDG prerequisites at the local level for the following reasons:

- Without efficient, accountable and democratic institutions, the voice of the poor will not be heard, poverty reduction and economic growth will not be possible, and gender discrimination will not be eradicated (3rd goal). An adequate institutional framework will allow the poor to participate fully in decision-making processes concerning local development and will address the exclusion of politically marginal groups, particularly women, from decision-making and from the benefits of collective action;
- Efficient capacity building will allow the poor to improve and/or get basic education (2nd goal). Without education, economic growth will not be sustainable, and participation in local politics will not be durable;
- Adequate access of the poor to locally-based and managed, efficient social services and basic infrastructure, especially in the area

of health, will reduce child mortality (4th goal) and incidence of major diseases (6th goal) which cripple local livelihoods and hamper local economies;

- The promotion of economic development and growth through a number of interrelated measures is designed to promote environmental sustainability (7th goal), to protect renewable productive natural resources and to improve their productivity, to identify household economic opportunities (farm and non-farm) to generate income. The objectives are the improvement of secure access to food for the poor and the enhancement of household food security (1st goal). Thus, attacking hunger at the local level essentially necessitate higher agricultural productivity, an improved supply system and increased purchasing power for farm and non-farm households.

Furthermore, through its LDP approach, UNCDF links the social goals of the declaration with other goals connected to governance, such as empowerment, human rights of marginal and vulnerable groups, enhancement of local social capital, eradication of all forms of discrimination, equality of opportunity, freedom, livelihoods, employment and the like.¹

Another key contribution that organizations working at the local level can make to the MDGs is to help assess and measure progress at the local level. The majority of the goals are measurable and tangible. For example, UNCDF, through its information system and monitoring/evaluation activities collects basic indicators, within the context of a sustainable, long-term development strategy, to assess the real impact of its programmes on poverty.

ADOPTING AND TESTING THE PRS

In line with the Poverty Reduction Strategy guiding principles, it is important to stress the crucial role of a process that should imperatively reflect local circumstances and characteristics, rather than attempting to impose a 'blueprint' that may have been developed someplace else.

At UNCDF, the LDP approach reflects the three key steps indicated by the PRSP for effective poverty reduction:

- *Adequate diagnostics* provide “a comprehensive understanding of poverty and its determinants.” Among these determinants, UNCDF gives a special priority to the institutional arrangements underlying decision-making processes as well as the access to and use of local natural resources;
- *Participatory planning mechanisms and procedures*, involve not only different institutional stakeholders, but also different segments of local populations. These mechanisms allow for the identification of what the PRSP define as “the mix of public actions that have the highest impact on poverty reduction.” Legitimate and representative local governments and communities have the role of selecting and prioritizing policies based on their expected impact on achieving local poverty targets;
- Finally, *definition of a set of appropriate indicators* to monitor and track the progress of governance and the reduction of poverty, both in terms of performance (the quality of governance, for instance) and of process (the institutional inputs that produce outcomes).

UNCDF’s lessons in local government reform and decentralization may help strengthen some of the conceptual and operational problems of the PRSPs, as exemplified by the following:

- UNCDF’s major focus on local governance as a motor for poverty-reduction as well as on the institutional factors underlying poverty (the thinking on ‘local governance’ and on the institutional determinants of poverty is weak in the PRSP);
- UNCDF’s experience overcoming the challenges of integrating local development initiatives into local policy and budget frameworks (another element which is widely neglected by the PRSPs)²;
- UNCDF’s experience bringing together diverse sectors of society to participate in the planning process. PRSPs do not necessarily lead to new patterns of participation among local stakeholders, and tend to treat ‘the poor’ as an homogenous group. In contrast, the LDP methodology stresses the interactions among local governments, civil society and communities in the decision-making process. Furthermore, UNCDF strongly addresses the inherent

duality of the societies, with the growing gap dividing an educated and economically powerful élite from the rest³ who are unable to influence the allocation of resources, or the gap along gender lines (gender analysis being largely missing in the PRS);

- UNCDF's experience with decentralized natural resource management as an integral part of local governance⁴. Because of some structural problems of the framework, several PRSPs, especially in Africa, while addressing environmental issues (suggesting, for instance, plans to improve resource management) do not mention land issues in their analysis of poverty (land rights, access to and use of natural resources by local producers, etc.);
- UNCDF's experience with the unique and crucial role of local sub-national authorities, while acknowledging their interactions with higher levels of government (at provincial or regional and national level). PRSPs do not provide real leadership to national governments, let alone local governments, in poverty reduction. Thus, a major challenge of UNCDF is to advocate for the necessity of 'local' PRSPs, which should be formulated and operationalized by local authorities and other institutional stakeholders.

In spite of its modest financial resources, UNCDF is deeply involved in taking up the formidable challenge of poverty reduction, together with its partners, and within the framework of the Millennium Development Goals, the Brussels Programme of Action for LDCs, and the Poverty Reduction Strategies. Supporting decentralization initiatives and good local governance is but a part of this challenge, but a very important part. It is a sincere and earnest hope, that, working together or cooperatively on a common vision through a variety of interventions, the world community will eventually and definitively overcome the problems of poverty that afflict so many in this world.

Notes

Chapter 1

1. Grinspun ed. 2001: 3.
2. OECD, 2001: 20.
3. Sen, 2000.
4. UNCTAD 2002: 39.
5. In addition, the gap between rich and poor nations has dramatically increased. If two hundred years ago, the gap between richest and poorest countries may be estimated at 5 to 1, today the difference in income per head between rich industrial countries (such as Switzerland) and poor non-industrial countries (such as Mozambique) is about 400 to 1 (Landes, 1999:xx).
6. See the independent evaluation of the eco-development concept (Grosjean et al., 1998) and a number of final evaluation reports of eco-development projects.
7. See Gutton in Iliffe, 1987: 4.
8. Brock et al. 2001: 14.
9. AFG-V, 2002a.
10. Kanbur, 2001: 1085.
11. Robb, 1999.
12. Kabeer, 2001.
13. This derives from the seminal work of Sen, 1999.
14. "The quantitative approach to poverty measurement and analysis is defined as one that typically uses random sample surveys and structured interviews to collect data — mainly quantifiable data — and analyzes it using statistical techniques. By contrast, the qualitative approach is defined as one that typically uses purposive sampling and semi-structured or interactive interviews to collect data — mainly data relating to people's judgments, attitudes, preferences, priorities, and/or perceptions about a subject — and analyzes them through sociological or anthropological research techniques." (Carvalho & White, 1997.)
15. Salmen, 1992: 11.
16. Worsley, 1984: 206.
17. UNDP, 2001b: 4.
18. Hossain & Moore, 1999: 8.
19. Wade, 2001: 1437.
20. See DAV/OECD, 2001: 10.
21. Forsyth & Leach, 1998:17.
22. See, for instance, Stryker, 2001: 76.
23. <http://www.worldbank.org/wbi/governance/>
24. According to the Governance Working Group of the International Institute of Administrative Sciences, IIAS, Brussels (www.iiasiisa.be/iisa/fiacc.htm).
25. Evertzen, 2001.
26. This concept is well expressed by the French term 'collectivité territoriale' or 'collectivité locale,' which designates not only local elected representatives, but also the entire community. The English translation 'local authorities' or 'local government' does not convey "the idea of administration being the responsibility of the community" and does not express the meaning of "society of citizens." (Norton, 1994:128.)
27. Olowu, in UNCDF 2001: 41.

Chapter 2

28. UN, 2002: 1.

29. In 1999, a joint UNICEF-Oxfam proposal aimed to set the eradication of poverty at the heart of debt relief reform, in order "not only to buttress the overall economic stability of the debtor nations, but also to ensure that the benefits will reach the many millions of the poorest in these countries who struggle to survive on incomes below \$1 per person a day." (UNICEF, 1999.)

30. The World Bank, 2000.

31. A precursor of the PRSP is the 'Poverty Strategies Initiative' (PSI), launched by UNDP in 1996 to support country efforts to diagnose poverty, improve their capacity for policy analysis and implementation and develop national and local capacity for policy analysis for reducing poverty.

32. Among the countries with PRSPs or advanced Interim PRSPs are the following: Burkina Faso, Ethiopia, Guinea, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Tanzania, Uganda, Vietnam, Zambia and Yemen.

33. Norton & Foster, 2001.

34. According to a recent report commissioned by KfW (SHC, 2001).

35. Minutes of the workshop organized by the Chrs. Michelsen Institute in Norway on 'Responsiveness and Accountability for Poverty Reduction: Democratic Governance and the MDGs' (November 2002).

36. Schacter, 2001. See also Jones, 1999.

37. O. Saasa personal communication, 2003.

38. AGF-V, 2002b: 36.

39. Foster & Mackintosh-Walker, 2001: 7.

40. Foster & Mackintosh-Walker, 2001: 9. However, in some agencies, such as Danida, there is a tendency to handle decentralization as a sector and as a cross-cutting issue for country strategy and all other sector programmes implemented therein.

41. Another important meeting was held in 2001: the World Trade Organization Meeting in Doha, Qatar. The meeting stated, among others, that development and poverty reduction should be considered the centrepiece of a new round of trade talks.

42. See UN, 2001.

43. The Johannesburg Summit Test: What will it Change? United Nations 2001. http://www.johannesburgsummit.org/html/whats_new/feature_story41.html

44. *ibid.*

45. World Bank, 2001: 195.

46. For all this Section, see World Bank, 2002a.

47. Parker, 2001: 1.

48. Parker, 2001: 1.

49. Brock, 2001: 21.

50. Cornia, 1999.

51. Tendler, 1999: 120.

52. Bank lending for agriculture for the 2003 and 2004 fiscal years is projected to mark a net increase of about \$400 million.

53. World Bank, 2002b.

54. All this section synthesizes information from a UNDP Interim report (UNDP, 2001a).

55. The UN Secretary-General Kofi Annan introduced the CCA and the UNDAF in July 1997. The CCA represents an independent assessment by the United Nations system of the development situation and critical issues facing a country. The UNDAF, which is a planning framework for the development operations of the UN system at the country level, identifies the common objectives, and common strategies of development assistance by all resident UN agencies. The UNDAF thus enables a holistic UN approach to country challenges.

56. See www.unctad.org.

57. This section presents a sample of strategies of a limited number of bilateral agencies (among those which are particularly involved in poverty reduction programmes through support to local governance either, directly, in partnership with UNCDF or, indirectly, in countries where UNCDF operates).

58. OECD/DAC, 2001.

59. See www.dfid.gov.uk.

60. See www.sida.se. See also Peck & Widmark, 2000.

61. For a general presentation of the Danish Development Policy, see www.um.dk/english/dp/ddp.asp.

62. See www.minbuza.nl.

63. Source: BSF documentation.

Chapter 3

64. Carothers, 1999: 193.

65. AGF-V, 2002a.

66. Crooke & Manor quoted in Brock et al. 2001: 27.

67. AGF-V, 2002b: 29.

68. Duch quoted in Chazan et al, 1999: 350. For Dreze & Sen (1989), famines do not occur in democracies.

69. UNDP, 2002: 51.

70. See Manor, 1997.

71. Moore & Putzel, 1999: 20.

72. Norton & Foster, 2001.

73. Moore & Putzel, 1999: 7.

74. Crook & Sverrisson, 2001: 14.

75. Parker, 1995.

76. Luckham et al., 1998: 38.

77. N. Webster (personal communication, 2003), who quotes Sudipta Kaviraj's argument on contemporary India, by which ethnic chauvinism and the policies this can

give rise to can be legitimated by winning a democratic election even though they are policies or practices that run very much counter to western democratic philosophy.

78. Parker, 1995.

79. Faguet, 2000.

80. Proud'homme, 1995: 218.

81. Manor, 2000.

82. Greffe, 1992: 117.

83. Proud'homme in UNCDF, 2001: 56.

84. Osmani, 2000: 3. See also Part II, Chapter 6 (Inset II.9).

85. Chazan, 1999: 284.

86. UNCDF has been pushing the limits of that understanding. In 2001, it held a major symposium in Cape Town on decentralization and local governance. The symposium revealed, for example, "that in the early stages of decentralization, the main pre-occupation of many countries is to set up institutional structures and have a legal framework and policy on decentralization. Once that has been accomplished, countries begin to grapple with the fundamental issue of fiscal decentralization...matching responsibility to resources." (UNCDF, 2001: 6.) Yet this is still simply a means to an end. The challenge is to address poverty and the basic needs of communities. The question again is: Does decentralization bring any more benefits to the poor and marginalized groups than the existing centralized and sector arrangement? In particular perhaps, does decentralization release a potential for development that would not otherwise be released, in terms of economic and political liberation?

87. Johnson, & Minis, 2000.

88. See, for instance, Leach & Mearns ed., 1996. Roe (1991) argues that development policies are often based on "narratives," (less normative than an ideology, a narrative is a story with a beginning, a middle, and an end, or an argument with premises and conclusions that do not stand up to

closer scrutiny). The concept is been adapted to different situations (see, for instance, the desertification narrative, (Swift, 1996 :73), or the environmental narrative, (Oygard et al 1999).

89. Longhurst, 1987: 184.

90. Ellis 1999. Paradoxically, farmers living in poor environments with low agricultural yields are able to maintain adequate consumption levels, by earning a high proportion of their income from off-farm sources. In contrast, farmers who live in richer environments and rely more heavily on farming activities are subject to severe shocks from production and market disruption.

91. Mortimore, 1998: 194.

92. Mortimore, 1983: 219.

93. Bruijn & van Dijk, 1995: 13. See also Raynaud ed., 1997.

94. According to the World Bank 'social capital' refers "to the institutions, relationships, and norms that shape the quality and quantity of a society's social interactions. Increasing evidence shows that social cohesion is critical for societies to prosper economically and for development to be sustainable. Social capital is not just the sum of the institutions which underpin a society — it is the glue that holds them together." The notion of 'social cohesion' (sometimes used as a synonym of 'social capital') refers to common values and a civic culture, solidarity, social control, social networks as well as common identity. (See www.worldbank.org/poverty/scapital).

95. For de Tocqueville (Democracy in America, 1831), the civic associations of the civil society are for the citizens an important means to moderate the power of the state and assure their own interests.

96. Chazan et al, 1999: 76.

97. Manor, (nd).

98. Olowu, in UNCDF 2001: 41.

99. Evertzen, 2001.

100. AFG-V, 2002a: 30.

101. Hossain & Moore, 1999: 8.

102. Grinspun ed. 2001: 129. At different degrees, UNCDF projects face the same constraints. Just one example, among others: findings of the mid-term evaluation of the Zambia District Development Planning (DDP) project in May 2000 showed that the decentralization policy "has not been passed. There appears to be no strong political commitment to shed power and responsibilities to local authorities and no clear understanding of how this should be done especially on the delineation between Central Ministries and local authorities."

103. Smoke in UNCDF, 2001: 37.

104. This reluctance is also strong in many Western democracies. It has been argued that in France, for instance, the resistance by some government services and the recentralization strategies adopted by some line ministries explain "the permanent temptation in the declaration of central government authorities to mix up the two notions of deconcentration and decentralization, by providing to the former the democratic legitimacy of the latter, without jeopardizing the authority of the state." (Mabileau, 1994: 21-2.) (our translation).

105. Carothers, 1999: 193.

106. CAPRI, 1999.

107. AFG-V, 2002b: 24.

108. AGF-V, 2002a: 30.

109. Dahl, 1998: 156.

110. Peck & Windmark, SIDA, 2000.

111. Evertzen, 2001.

112. AFG-V, 2002a:27.

Part II

Chapter 4

1. Mabileau, 1994:9,11.

2. 'Administrative decentralization' refers

to regulatory actions made by local political institutions. 'Political decentralization' is about policy decisions by local political institutions and the active involvement of local actors in public institutions. 'Fiscal decentralization' refers to responsibilities in tax collection, expenditures and allocations.

3. See Hossain & Moore, 1999:5.

4. Ostrom quoted in World Bank, 2000:16.

5. In spite of mixed empirical evidence, the linkages between education and economic growth are stressed by recent literature. It is proven, for instance, that functional literacy may change farmers' "allocative efficiency by altering the selected combination of outputs and inputs" and that educated farmers show "great propensity" to adopt agricultural innovations (Appleton et al., 1996:331).

6. Several reports point out how non-farm activities strongly contribute to reduce poverty in rural areas. This is particularly true in East Asian middle-income countries. There are also well-documented case studies in Kenya (Machakos district, for instance, see English et al., 1994) Nigeria (Kano rural areas, Mortimore, 1989) and Burkina Faso (Sahelian belt, see Reardon et al, 1984).

7. According to the definition of 'civic engagement' provided by the UNDP Human Development Report 1993.

8. The term 'famine' designates a prolonged consumption deficit, accompanied by disease and general disruption of the social and economic system. Crises have a distinct seasonal dimension, with a "simultaneous prevalence of sickness, malnutrition, indebtedness, hard work, discomfort and poor food availability at certain times of the year" (Longhurst, 1986:1).

9. Maxwell & Smith, quoted in Davies, 1996: 15-16. There are today tens of definitions of 'food (in)security according to the points of view or the units of analysis.

10. Davies, 1996:8.

11. World Bank, 2001:40

Chapter 5

12. A World Bank report makes a distinction between formal and informal institutions, the former including the laws, rules, and regulations upheld by states, markets, civil society and international agencies; and the informal institutions including norms of social solidarity, sharing, social exclusion and corruption, among others (World Bank, 2000).

13. See DAC/OECD, 2001:10.

14. Mabileau, 1994.

15. Hardy, 1998:30.

16. N. Webster (personal communication 2003) points out that local government often has an important overlap with institutions based upon customary law (he gives the examples of the results of studies carried out by S. Berry, M. Mamdani, A. Blom, and P. Peters, among others, with respect to southern Africa).

17. This is expressed by the French notion of 'inter-communalité.' However, cooperation and joint action cannot jeopardize the autonomy of each separate local government entity. In the French tradition, for instance, joint municipal bodies cannot be directly involved in the provision of services, but have to use para-municipal organizations (See Mabileau, 1994).

18. Chazan et al. 1999, 75.

19. This is the basic argument of Putnam, 1993.

20. Evertzen, 2001.

21. See, for instance, in Chapter 1, the presentation of the main elements of the NEPAD initiative, the PRSP and the recommendations of the Monterey Conference.

22. UNDP, 2002.

23. World Bank, 2001:vi, on the approach

on LICUS.

24. Putnam, 1993.

25. See A. Schneider (nd). on promising experiments in Brazil at the municipal level as well as at state government level, where "participatory budgeting has expanded citizenship, empowered excluded members of society, redefined rights, deepened democracy and stimulated civil society."

26. Evertzen, 2001.

27. Evidence from several UNCDF programmes supports this contention.

28. On 'vertical' and 'horizontal' accountability see Newell & Bellour, 2002:7. Although the concept of 'accountability' is "an increasingly crucial reference point in development studies," its use is "loose and under-specific" (Newell & Bellour, 2002:23).

29. Litvack et al., 1998:26.

30. Salmen, 1992:19.

31. Smoke, in UNCDF 2001:35.

32. See Putnam, 1993:8.

33. Luckham et al., 1998:38. (The authors give the example of Uganda, where the Finance Ministry determines the proportions to be spent by local governments for primary-level services.)

34. Crooke & Sverrisson, 2001:48.

35. To take just one example among others: in Mali, the two UNCDF projects (PACRT and PACRM) are assisting the 'Association des Maires du Mali' (Association of Malian Mayors), both at national and provincial level, to assess the progress of decentralization, to identify present constraints and bottlenecks, and to define the way forward, in order to play a key role in advocacy, research, and local government institution-building.

36. Proud'homme, 1995:218.

37. Manor, 1997.

38. It may be stressed, for instance, that

"when democratic governments do not respond to the needs of poor people, the public becomes more inclined to support authoritarian or populist leaders who claim that limiting civil liberties and political freedoms will accelerate economic growth and promote social progress and stability." (UNDP, 2002.)

39. Baguenard, 1996:74.

40. Litvack et al 1998:28.

41. Mabileau, 1994:9.

42. N. Weibster personal communication, 2003.

43. Appleton et al., 1996:307.

44. Faguet, 2000.

45. Douma, 1999:6.

46. See Annex 1 for a complete list of UNCDF projects related to governance and poverty reduction and the explanation of their acronyms.

Chapter 6

47. DAC/OECD, 2001:13.

48. Greeley, 2001:56.

49. "Empowerment means enhancing the capacity of poor people to influence the state institutions that affect their lives, by strengthening their participation in political processes and local decision-making. And it means removing the barriers — political, legal, and social — that work against particular groups and building the assets of poor people to enable them to engage effectively in markets." (World Bank, 2001:39.)

50. Mokate, (nd).

51. Fofack, 2002:19.

52. Greeley, 2001:68.

53. Osmani, 2000:3. A study of welfare and poverty dynamics in Burkina Faso found that "the economic growth recorded in the 1994-98 period (following the devaluation

of the FCFA) did not reverse the increasing poverty trend. The poverty incidence remained at seemingly high levels, even increasing from 44.5% to 45.5%. Though small in magnitude, this variation represents a sizable increase of poor in absolute terms (over 370,000 new poor).” (Fofack et al., 2001:8.) (Our italics.)

54. Ribot, 2002:5.

55. Baguenard, 1996:7.

56. Sagasti & Alcalde, 1999:18.

57. Adamolekun, 1990.

58. Bratton & van de Walle, 1997:268.

59. The term ‘sustainable livelihoods’ signals that “action to help the poor should usually avoid ‘phasing itself out’ by overstating the environment, current financing or administrative capacity.” (Lipton, 2001:47.)

60. Norton & Foster, 2001:12.

61. It has been pointed out that “the task of poverty eradication is to eradicate the structures that create and depend upon poverty itself, rather than fix the people who are vulnerable to poverty” on the assumption that “even if it were possible to fix each and every poor person on the planet today, poverty would not disappear.” (Murphy, 2001: 32.) Recent literature increasingly acknowledges the importance of education and health in economic growth (see Appleton et al. 1996).

62. To use some of concepts from Putnam, 1993.

63. Berry, 1993:6,18. For instance, changing conditions of access to the means of production influence in different ways agricultural growth and distribution.

64. Berry, 1993:42.

65. See Bruijn & Van Dijck, 1995:9.

66. Murphy, 2001:34.

67. Raynaud, 1997:262.

68. Among these instruments, ‘poverty mapping’ is becoming increasingly impor-

tant for more integrated investigation and discussion of social, economic, and environmental issues. “Besides visually representing geographic variation in human well-being, poverty mapping can highlight the distribution and condition of many assets that are key to poverty reduction.” (Henninger & Snel, 2002:5.)

69. See UNCDF, 2002b. On the local governance side, there is a subtle distinction between ‘policy impact’ and ‘replication.’ Policy impact is essentially about the adoption of locally generated policy and practical lessons, nationally; replication is about introducing the practical lessons learned to other regions within the country or even into other programme countries. Yet within this context, central government must also offer practical measures to support practical decentralization. That is to say, central government must provide some of the means to enable local government to perform its (increasing) local developmental responsibilities.

70. Douma, 1999:12.

71. Mokate (nd).

72. Moore & Putzel, 1999:12.

73. Longhurst, 1987:183.

74. Lipton & Ravallion, 1995: 2617. Many of the areas where UNCDF operates are affected by a potentially increasing gap between a small number of relatively well-off rural households (with access to agricultural and non-agricultural sources of income — mainly trade) and the majority of poorer households.

75. ‘Structural’ or ‘chronic’ poverty is long-term, perhaps a function of macro-economic performance or geographical isolation, among other things (See Iliffe, 1987). Authors of a recent analytical framework on chronic poverty confirm that research should focus on poverty in its broadest, multi-dimensional sense in that those who are chronically poor are likely to be poor in several ways, not only in terms of income. Suggested characteristics of

chronic poverty include its 'long duration' and its 'intergenerational transmission'; in simple terms, the poverty cycle is not being broken. Several groups are susceptible to the definition, including those: (i) discriminated against (for various reasons); (ii) with health problems and impairments; (iii) living in areas where natural resources are fragile, degrading and of low productivity; (iv) deprived of any access to land or other productive assets essential to sustainable livelihood; (v) living in remote rural area or urban ghettos; and (vi) those in regions of prolonged and violent conflict and pervading insecurity. Given all this, the chronically or structurally poor are numerically the most important and constitute the 'hard core' of the overall poor. In contrast, 'conjunctural' or 'transitional' poverty arises from external shocks, whether at the macroeconomic level (e.g. through deterioration in economic fundamentals), regional level (e.g. through insurgency, drought, flooding, or crop failure) or simply household level (e.g. through death, illness, job loss, theft or loss of access to land). Thus, the transitional poor are a more variable segment of the overall poor. (Hulme et al., 2001.)

means and processes are often as important as the ends. Hence, democratic governance is an important goal in its own right, not just as a means to reducing poverty."

2. A forthcoming publication prepared by LGU/UNCDF, *Lessons Learned from Practice*, will contribute to a further operationalisation of the entire approach.

3. Mahwood ed, 1993: 5.

4. *See UNCDF, forthcoming.

Chapter 8

76. Webster, Neil. Centre for Development Research (Copenhagen, Denmark), personal communication, 2003.

77. Chazan et al., 1999:239.

78. Crook & Sverrisson, 2001:17.

Part III

Chapter 8: The Way Forward

1. Discussions at a recent workshop organized by the Chr. Michelson Institute in Norway, pointed out the fact that many of the MDGs, if not all, might be achieved without democratic governance. "Democracy is no guarantee for making a dent in the poverty problem. However, the

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Annex: LIST OF MAJOR UNCDF PROJECTS/PROGRAMMES DIRECTLY RELATED TO GOVERNANCE AND POVERTY REDUCTION

Overview

Number of LDP projects/programmes:	20
Number of countries concerned:	17
Total population affected :	23,865,000 persons
Total cost of projects :	US\$160,359,629
Funds invested by UNCDF :	96,046,742 (=59.8% of total)
<i>In Africa :</i>	US\$67,054,974 (=69.8%)
<i>In Asia :</i>	US\$19,001,343 (=19.7%)
<i>In Latin America:</i>	US\$9,990,425 =10.4%)
Total LDF :	US\$63,929,199
Ratio total funds/population :	US\$6.7 per person
Ratio UNCDF funds/population :	US\$4 per person
Average total cost per project :	US\$8,022,444
Average cost per project (UNCDF) :	US\$4,802,337

LIST OF 30 POOREST COUNTRIES

(ACCORDING TO THE UNDP HUMAN DEVELOPMENT INDEX)

(*) : Countries with UNCDF/LDP project/programme

(**) : Countries with other UNCDF programmes

1. Sierra Leone	11. Malawi (*)	21. Mauritania (**)
2. Niger (*)	12. Rwanda	22. Tanzania (*) (**)
3. Burundi (**)	13. Angola	23. Uganda (*)
4. Mozambique (*)	14. Gambia	24. Djibouti
5. Burkina Faso (**)	15. Guinea (*)	25. Madagascar (**)
6. Ethiopia (*) (**)	16. Benin (*)	26. Haiti (*)
7. Guinea Bissau (**)	17. Eritrea (*)	27. Bangladesh (*)
8. Chad	18. Congo	28. Yemen (**)
9. Central African Republic	19. Senegal (*)	29. Lao (**)
10. Mali (*)	20. Zambia (*)	30. Nepal (*)

Country/ HDI Rank (1) Population	Project Title	Project Sites /Beneficiaries	Year Start / Duration	Total Cost	External Contribution (2)	Population Affected(3)	Total LDF (4)
Bangladesh /145/ 134.7 millions	Sirajganj Local Governance Development Project (SLGDP) (BGD/97/ C01)	Sirajganj District	1999 / 5 years	8,923,950	UNCDF: 7,200,000 UNDP: 1,700,000	2,500,000	5,254,110
Benin /158/ 6.1 millions	Support to Local Development and to Local Initiatives Project (Projet d'Appui au Développement Communal et aux Initiatives Locales) (BEN/02/C01) (ADICOI)	Borgou District, 7 communes	2003 / 4 years	5,900,000	UNCDF: 1,630,090 BSF: 2,800,000 UNDP: 600,000	572,000	2,800,000
Eritrea /157/ 3.5 millions	Anseba Local Development Fund (ERI/01/C01) (ALDF)	Anseba District, 10 sub- <i>zoba</i> (sub- districts)	2002 / 5 years	5,742,892	UNCDF: 2,023,642 BSF : 3,000,000 UNDP : 719,250	400,000	4,000,000

Country/ HDI Rank (1) Population	Project Title	Project Sites /Beneficiaries	Year Start / Duration	Total Cost	External Contribution (2)	Population Affected (3)	Total LDF (4)
Ethiopia [168] 61.4 millions	Woreda Development Fund in North Gondar Zone (ETH94/C03) (WDF)	6 <i>Woredas</i> (Districts) in the Amhara National State	1997 / 5 years	4,832,180	UNCDF: 4,045,270 UNDP: 736,550	2,000,000	3,000,000
	Sustainable Development Programme in Adi Arkay (ETH/00/C01) (SDP)	1 <i>Woreda</i> (Adi Arkay District), 32 <i>Kabeles</i> (sub- districts) in the Amhara National State	2000 / 5 years	8,353,000	UNCDF: 8,131,000 UNDP : 571,000	593,000	1,900,000
Guinea [159] 8 millions	Guinea Local Development Project (Projet de Développement, Local en Guinée) (PDLG) (GUL/99/C01)	45 Local Governments (<i>communautés rurales</i>)	2002 / 5 years	7,851,230	UNCDF: 6,350,550 UNDP: 1500,680	560,000	4,560,000
	Governance in North- East Department (HAI/98/C02)	4 Communes in the North-East Dept.	1999 / 5 years	6,263,560	UNCDF: 6,263,560 UNDP: 2,097,815	270,000	3,115,605
Malawi [163] 11 millions	Decentralized Governance Programme (MAL/ 02/C01) (DGP)	12 Districts	2002 / 4 years	21,274,000	UNCDF: 6,000,000 UNDP: 6,000,000	4,200,000	4,000,000

Country/ HDI Rank (1) Population	Project Title	Project Sites /Beneficiaries	Year Start / Duration	Total Cost	External Contribution (2)	Population Affected (3)	Total LDF (4)
Mali [164] 11 millions	Support to Local Government in Timbuktu (Projet d'Appui aux Communes rurales de Tombouctou, (PACIRT) (MLI/98/C01)	3 Sub-districts (<i>cerdes</i>) in the Timbuktu Region, 27 rural communes	1999 / 5 years	8,018,500	UNCDF : 2,917,000 BSF : 3,206,000 UNDP : 631,500 WFP : 715,000	235,000	5,300,000
	Support to Local Government in Mopti Region (Projet d'Appui aux Communes rurales de Mopti (PACRM) (MLI/00/C01)	8 Sub-districts (<i>cerdes</i>) in the Mopti Region, 103 rural communes	2000 / 5 years	7,200,572	UNCDF:6,000,572 UNDP : 700,000 Luxemb.: 500,000	1,300,000	5,000,000
Mozambique [170] 17.9 millions	Support to Decentralised Planning and Financing in the Provinces of Nampula and Cabo Delgado (MOZ/01/C01)	Provinces of Nampula and Cabo Delgado	2002 / 3 years	15,428,940	UNCDF/UNDP: 7,633,940 Nether: 4,830,000 Norway:4,340,000	1,470,000 (Cabo Delgado) (in addition to 3,370,000 in Nampula)	3,000,000 (Cabo Delgado)
	Local Development Fund (LDF) (NEP/99/C01)	8 Districts	2000 / 5 years	5,000,000	UNCDF: 5,000,000 DFID: 5,000,000	2,000,000	3,050,000
Nepal [142] 22.5 millions							

Country/ HDI Rank (1) Population	Project Title	Project Sites /Beneficiaries	Year Start / Duration	Total Cost	External Contribution (2)	Population Affected(3)	Total LDF (4)
Nicaragua [116] 4.9 millions	Support to the Programme of Municipal Strengthening of the Nicaraguan Institute of Municipal Development (NIC/ 01/C01)	2 Departments, 23 Municipalities	2001 / 3 years	3,726,865	UNCDF: 3,726,865	700,000	3,000,000
Niger [172] 10.5 m	Nguigni Local Development Project (PADLN) (NER/00/C01)	2 Sub-districts (<i>departements</i>) in Diffa Region, 5 rural communes	2000 / 5 years	5,929,350	UNCDF: 2,540,000 BSF : 1,880,000 UNDP : 1,518,350	85,000	1,945,000
	Mayahi Local Development Project (PADLM) (NER/00/C02)	1 sub-district (<i>department</i>) in Maradi Region, 8 rural communes	2000 / 5 years	5,776,485	UNCDF: 2,595,310 BSF : 1,500,000 UNDP : 1,310,175	330,000	2,285,000
Senegal [154] 9.2 millions	Support to Decentralization in rural areas (Programme d'Appui à la décentralization en milieu rural)(PADMIR) (SEN/99/C01)	2 Districts (Kebemer and Kaffrine), 37 Local Governments (<i>Communités Rurales</i>)	1999 / 5 years	8,000,000	UNCDF: 6,000,000 UNDP: 1,500,000 Luxemb: 2,000,000	600,000	1,344,000
Tanzania [151] 34.3 millions	Support to Local Governments in Mwanza Region (SLG) (URT/97/C01)	Mwanza Region, 6 Districts	1997 / 5 years	7,327,700	UNCDF: 5,453,600 UNDP: 1,874,100	1,880,000	2,634,090

Country/ HDI Rank (1) Population	Project Title	Project Sites /Beneficiaries	Year Start / Duration	Total Cost	External Contribution (2)	Population Affected (3)	Total LDF (4)
Uganda [150] 22.6 millions	District Development Programme 2 (DDP) (UGA/01/C01)	Districts of Arua, Jinja, Kabale, Kayunga, Mukono, Yumbe	2002 / 3 years	4,540,000	UNCDF: 3,000,000 UNDP : 100,000 DFID : 300,000 DANIDA: 220,000 Japan: 300,000	2,500,000	-
Viet Nam [108] 77.1 millions	Rural Infrastructure Development Fund (RIDEF) (VIE/95/ C01)	Quang Nam & Da Nang Provinces, 122 communes	1996 / 5 years	9,546,315	UNCDF: 6,801,343 UNDP: 1,435,642 AusAID:1,129,300 Netherl.: 180,030	700,000	5,741,394
Zambia [153] 10.2 millions	District Development Planning and Implementation in (DDP1) Eastern Province (ZAM/93/C01)	Eastern Province, 8 Councils	1995 / 5 years	5,324,090	UNCDF:2,764,090 Netherl. (VNG): 600,000	970,000	2,000,000

Notes to Tables

(1) Human Development Index (rank of 174 countries) (Source UNDP, 2002); Population (source: UNDP, 1998)

(2) In addition to contributions from Central and Local Governments

(3) Population figures (drawn from project documents, written in different years) are under-estimated.

(4) Including contributions from UNCDF and from various partners

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