

Chapter **6**

**PRO-POOR LOCAL GOVERNANCE:  
THE NEGLECTED REFORMS**

*Pro-poor Reforms in Local Governance*

*Building Local Capacity for Poverty Reduction*

*Capital Development and Local Government*

*Campaigns against poverty have often bypassed and ignored local government—thus hampering their effectiveness.*



Contributing to more democratic and accountable local government is a neglected area in external support to governance reforms. External donors once operated mainly through the central government. Capacity-building efforts may have strengthened the central apparatus of the state to carry out development, but funds never seemed to end up in the hands of the poor. So donors turned to civil society organizations, bypassing local government—a critical missing piece in the poverty reduction puzzle.

If poverty reduction programmes are to succeed, local government must be accountable both to the central government for the funds allocated to it and to its constituents for how it uses them. Central government continues to contribute by devolving both authority and resources—and monitoring how the authority is exercised and the resources disbursed (box 6.1). But if it turns its back and the local electorate is not involved, a local elite is likely to capture local government, an outcome that makes people cynical about the advantages of decentralization as a pro-poor reform.

Poverty reduction is often implemented as a matter of some urgency. But in the haste to set up new quick-disbursing mechanisms to deliver goods and services directly to the poor, too little thought goes to sustaining a long-term commitment. That is likely to involve a slower process of institution building for strengthening local government and its ties to local development partners.

What's the right approach? A recent eight-country evaluation of the programmes of the United Nations Capital Development Fund, which promotes better local governance institutions for poverty reduction, concluded that the fund's emphasis on institutional strengthening of local governments would take longer than conventional targeted schemes to benefit the poor—but that the eventual benefits would outweigh the costs.

### PRO-POOR REFORMS IN LOCAL GOVERNANCE

A series of case studies of decentralization by the Management Development and Governance Division of UNDP's Bureau for Development Policy provides instructive examples of pro-poor reforms in local governments.

#### Community Participation for Better Services

The Brazilian municipality of Belo Horizonte shows that one way to mobilize local resources for expanding health coverage to the poor is to form a municipal health council of health care providers, local community members and representatives of the central Ministry of Health. The council became an important forum for exchanging points of view and expressing needs. Several factors explain its success:

- Better ranking of people's needs, by local community representatives.
- More effective dialogue with health care providers, including those in the private sector.
- Better communication with the central Ministry of Health, which allocated more resources in return for a stronger system of accountability.

The council made children's health a top priority, encouraging health practitioners to focus on the urban slums. Local health centres had a team of practitioners give every child brought for help a full evaluation. This decentralized, more focused approach raised child immunization rates and lowered infant mortality and child malnutrition.

Another example comes from Sindh, Pakistan, where local authorities created a small agency to help squatters through the bureaucratic procedure of applying for land leases. Active community participation led to the granting of land leases and better provision of water, sewerage and roads to squatter settlements.

The agency established camps where squatters could file their applications and obtain information on lease procedures and requirements. The process cut the wait for leases from 1,354 days to 108 and increased the leases awarded by more than 50%.

The results in basic services were equally dramatic. Communities started by identifying their needs and priorities and had their representatives help in supervising

### *Box 6.1 Building Local Governance to Promote Peace in Cambodia*

With the United Nations Capital Development Fund and other donors, UNDP links poverty reduction to strengthening democratic local governance in rural Cambodia through the Area Rehabilitation and Regeneration Project. Begun in 1992 as emergency support for the reintegration of people displaced by years of armed conflict, the project is now in its second phase, supporting peace by promoting local participatory development and reducing poverty.

In 1998 the government established a financial system to manage decentralized local development funds and drafted legislation to turn existing local government institutions, commune councils, into elected bodies—in anticipation of local elections planned for 2000. These

measures will enhance local accountability. The project operates through a national initiative—SEILA, meaning “cornerstone” in Khmer—that supports the decentralization of development planning, financing and management to local governments.

The project has recently expanded its reach into previously inaccessible provinces that have suffered from ongoing warfare. It promotes dialogue between the conflicting parties and assists former Khmer Rouge communities in reintegrating with mainstream Cambodian society. To help the reconciliation, the project responds to immediate needs for basic services and infrastructure and supports establishing village development committees in these remote areas.

To help institutionalize its model of participatory development, the project’s plan for 1998–2000 calls for greater local ownership through community financial contributions. Over the past three years participating communities have mobilized more than \$500,000, 16% of the project’s costs.

One of the project’s most notable successes: the enormous increase in communication from villages up through every level of government to the province. Villagers now brainstorm about their problems, asking questions of officials and expressing their opinions about how best to do things.

the work. The average cost of providing services fell by a third—the cost of water supply per housing unit by half. Savings of more than 50% in the provision of sewerage permitted coverage of more settlements.

Community participation contributed to more appropriate and cost-effective design, lower costs from using local labour, timely purchases of material, the elimination of commissions and the avoidance of cost overruns.

#### **Promoting Participatory Local Governance: The Local Initiative Facility for Environment**

The Local Initiative Facility for Environment (LIFE)—a UNDP programme launched in 1992—builds alliances of community groups, civil society organizations and municipal governments to solve environmental problems in poor urban areas. Its projects in 12 countries work at both the national and the local level by using a three-phase process called “upstream-downstream-upstream”. The approach provides a practical way to both change national policies and institutions—often a slow process—and meet the immediate needs of the poor at the local level.

*Upstream* LIFE begins at the national level by doing an assessment, designing a countrywide strategy and creating a national selection and steering committee to involve a broad range of national participants in implementing the programme. According to a 1999 external evaluation, this approach has helped tie activities to nationally determined priorities and foster greater understanding and ownership of the programme. The members of this committee often emerge as national advocates for replicating the projects throughout the country.

*Downstream* The next step involves providing small grants to local organizations for environmental projects in poor urban neighbourhoods. These projects are designed as “policy experiments” in participatory local governance, bringing different groups into partnership to address common problems. In Bangkok, Thailand, for example, civil society organizations in urban slums and local governments have often been at loggerheads. Authorities

have viewed slum dwellers as polluters of the city's many canals. Through work with community groups and civil society organizations, a LIFE project has encouraged slum dwellers to stop dumping waste and to participate in dredging and cleaning the canals. Initially cautious, municipal officials are now more open to involving poor communities in their local projects.

At the local level LIFE's small-scale projects try to produce tangible results in response to immediate community problems—such as cleaning up canals, providing water or setting up hygienic systems of garbage disposal. But often the most important impact is more intangible—community empowerment. In several cases when a project has ended, community groups have taken on larger and more difficult issues—such as addressing land tenure issues in Jamaica, building the peace process in Colombia or collecting municipal taxes and user fees in Tanzania.

## THE LIFE PROGRAMME'S SMALL-SCALE PROJECTS TRY TO PRODUCE TANGIBLE RESULTS, BUT OFTEN THE MOST IMPORTANT IMPACT IS MORE INTANGIBLE—COMMUNITY EMPOWERMENT.

Despite limited resources for capacity building, projects have succeeded in building partnerships between community groups and other stakeholders, such as local authorities and private companies. In Thailand LIFE activities have led several municipalities to establish community development departments and earmark funds to promote community initiatives and popular participation. In Senegal the National Hygiene Service has adopted the LIFE approach in providing community water and sanitation services.

*Upstream* The final, “scaling-up” phase of a LIFE project involves publicizing community accomplishments and lessons to encourage similar activities in other communities and to influence national policies. Unless replicated on a wide scale, such small projects cannot make a significant impact. LIFE has had mixed results in this difficult area. In Egypt, however, it has succeeded in persuading the

national steering committee members to adopt its approach: forming partnerships and engaging in dialogue with stakeholders are now more common practices in development projects. In addition, the Ministry of Youth has announced a grant to implement youth-based environmental improvement projects in each of the country's 26 governorates.

Broader changes are more likely when municipalities are actively involved in projects. Influenced by LIFE projects, the National Municipal Authorities in Tanzania have passed a law requiring local authorities to devote 10% of their revenue to supporting income-generating activities led by women and youth. In Thailand the National Municipal League has introduced the LIFE approach in municipalities across the country.

“Upstreaming” results is most effective when it is linked to concrete policy and institutional changes. In Jamaica a LIFE-organized national dialogue led to the establishment of the National Sanitation Task Force to lobby for policy changes and a new civil society organization, the Sanitation Institute of Jamaica, to provide technical assistance and consultancy services to communities.

### BUILDING LOCAL CAPACITY FOR POVERTY REDUCTION

UNDP has played an instrumental role in supporting Viet Nam's Hunger Eradication and Poverty Reduction Strategy. A 1998 external evaluation of UNDP's poverty projects in seven of Viet Nam's poorest provinces pointed to the need, however, for more integration with the government's poverty programme—and a sharper focus on capacity development in local government and village organizations.

The evaluation called for a more participatory and cost-effective approach, the Capacity Development for Poverty Alleviation Model. The capacity of provincial, district and commune committees set up to implement the government's strategy should be strengthened, argued

## UNCDF BELIEVES THAT INNOVATIVE CAPACITY BUILDING CAN STRENGTHEN THE RESPONSIVENESS OF LOCALLY ELECTED OFFICIALS TO THEIR CONSTITUENTS.

the evaluation, to provide the poor with quality, needs-based social and economic services. Complementing this should be an effort to empower the poor to participate more in the development of their communities.

The important lesson from the evaluation is that the impact of government resources, as well as UNDP's, depends on such local capacity building. Water user associations can manage small-scale irrigation schemes, and commune development boards can encourage broad local participation in planning. For the poorest communes community development funds can support small, community-managed projects, such as building water tanks in villages, repairing school buildings and organizing literacy classes.

The evaluation pointed out that local initiatives cannot hope to succeed unless they are coordinated with a provincial development plan and supported by a friendly policy environment. Such coordination is necessary for an integrated package of essential services to reach poor households.

Agricultural extension services were judged the most cost-effective way to improve the food security and incomes of the rural poor. Often agricultural components of projects flounder because local farmers are not consulted, the capacity to provide technical services is weak, credit is insufficient and the markets for products are not adequately studied.

That is why integrating agricultural extension services with the supply of adequate credit makes sense. The most common use of small loans has been for raising chickens, pigs or cows—considered by farmers to be the first step out of poverty. But when a lot of farmers try raising livestock, the result has been oversupply and depressed prices in local markets. And because commune-based animal

health services have been lacking, many livestock die unnecessarily, leading to loan failures and big setbacks for poor households. Part of the problem is that farmers lack access to loans large enough to finance economic activities beyond such simple livestock raising—such as for growing fruit trees, engaging in aquaculture or starting microenterprises.

The success of such endeavours requires greater capacity building among farmers and extension workers. It also calls for greater coordination of development efforts at the provincial level—by the government and by the donors. The capacity for such coordination has to be deliberately built up as part of an overall anti-poverty strategy.

### CAPITAL DEVELOPMENT AND LOCAL GOVERNMENT

The United Nations Capital Development Fund (UNCDF) seeks to reduce rural poverty and strengthen local governance institutions in the least developed countries, primarily through small capital investments. UNCDF focuses on elected local governments—rather than central governments or specialized agencies—to implement its projects. Why? Because it believes that local government has a comparative advantage in responding to people's need for basic social and economic infrastructure.

In many rural areas what makes people poor is their lack of access to health care, education, water, sanitation and transport. UNCDF responds with small infrastructure projects. It also carries on the tradition of its eco-development funds, focused on the sustainable management of local natural resources. But rather than siting the main responsibility for such management in the community—as in the past—it funds local government to work directly with communities to invest in natural resource conservation and productivity.

While recognizing the challenges in making local government accountable and democratic, UNCDF believes that innovative capacity building can strengthen the responsiveness of locally elected officials to their constituents—through such means as participatory planning, better financial management and audits, improved contracting with the private sector and collaboration with civil society organizations. Its projects foster national ownership, with funds channelled directly to local government, and carry out activities within government systems and regulations.

### Increasing the Emphasis on Capacity Building

Most traditional projects in small-scale rural infrastructure — UNCDF’s area of expertise — have concentrated on building physical capital but neglected the local institution building needed to ensure that people benefit from the initial investment. Projects are now geared to two mutually reinforcing goals: capacity building and capital investment.

UNCDF recognizes that it must broaden the range of institutions it interacts with. It is linking local government with state technical agencies and civil society organizations, which will assume responsibility for staffing or equipping the local facilities that projects create. It is also linking local government with community institutions and user groups, such as parent-teacher committees or village health committees. Especially where the poor are unorganized and unrecognized by local government, those organizations can help them make their voices heard. UNCDF’s work with UNDP on the Participatory District Development Programme in Nepal is an example of this effort (box 6.2; also see the country profile).

The election of a local government is not always enough for popular participation, especially where democratic institutions are new and fragile. In many rural areas the distance between elected representatives and their constituents is large — with communication difficult and information scarce. The poor face even more obstacles than the better-off in advancing their interests: illiteracy and a lack of organization.

In response to these problems, UNCDF has renewed its emphasis on opening the planning and implementation of local investment projects to public scrutiny and involvement. It is committed to testing new methods, such as organizing local committees with broad representation of marginal groups and civil society organizations to screen and appraise planning proposals.

UNCDF is experimenting with initiatives to improve the capacity of local government to serve the needs of poor communities. Helping set up monitoring and evaluation systems is one example; introducing an incentive structure tied to performance criteria is another. In Tanzania its monitoring and evaluation system is helping

#### *Box 6.2 Local Governance for Participatory Development in Nepal*

In 1992 Nepal instituted a national decentralization policy that gave district development committees the responsibility of coordinating development activities. But few of the committees had the experience, capacity or resources to act. UNDP introduced the Participatory District Development Programme to build local capacity and help make decentralization work, and continues to work with the United Nations Capital Development Fund to strengthen the initiative.

The programme strengthens institutions at the local level, by building the capacity of district development committees and community-based organizations, and at the national level, by assisting the National Planning Commission and the Ministry of Local Development in working with local authorities.

The decentralized structure of governance has made it easier to transmit household information up to the National Planning Commission, with information technology harnessed to create a “trickle up” flow. Village development committees collect household data (on occupation, land ownership, health, food security and other indicators of poverty) and settlement data (on public facilities, infrastructure and migration). These data are aggregated in socio-economic databases and translated into a geographic information system (GIS) format. The data allow national decision-makers to be much more responsive to people’s needs in allocating resources and formulating policy for remote districts.

The programme has helped empower committees in 20 districts to undertake participatory planning and design district development plans that address pressing local needs, such as job creation, women’s empowerment and environmental management.

Reassured by the stronger capacity of local governments, the central government now encourages UNDP, UNCDF and other donors to channel assistance directly to them. The government is creating a poverty alleviation fund to continue providing resources after the programme support ends.

Constraints still impede progress. The control of local government over development resources is limited. The district development plans, unable to rely on the availability of resources, do not fully reflect the priorities

identified in the districts.

Moreover, the current programme operates through only a limited number of village development committees. And local governments still lack sufficient capacity to manage the programme efficiently.

To ease these constraints, UNDP is working with UNCDF to support the government in setting up a district development fund — to help develop the capacities of local governments and improve their access to resources, which they can decide how to allocate for development purposes.

the Ministry of Regional Administration and Local Government and all local authorities assess the effectiveness of capacity-building efforts to promote devolution. In Uganda UNCDF has linked project funding to the performance of local governments. If they perform well according to a list of poverty-related performance standards, their funding is increased. If not, their funding is reduced (box 6.3).

This experiment is important because complaints about lack of local capacity can mask other problems, such as an inadequate incentive structure to motivate poverty reduction efforts by local government.

UNCDF now pays more attention to whether its projects target the poor. It works in the rural areas of the least developed countries, where there are high concentrations of poverty. Its programmes supply the social and economic infrastructure—such as primary health care, basic education, water supply and roads—that disproportionately benefits the poor. It uses whatever information is available to channel its funds to poorer areas. And to ensure maximum impact, it employs local participatory

planning techniques geared to identifying the needs and priorities of poorer groups.

### Evaluating UNCDF Projects

In 1999, as part of a donor-led evaluation of UNCDF, an external evaluation team visited Cambodia, Malawi, Mali, Mozambique, Senegal, Tanzania, Uganda and Viet Nam. Its overall assessment was that UNCDF's projects have helped strengthen local government and reduce poverty.

The evaluation found that UNCDF's emphasis on the institutional strengthening of local government, though slower than conventional targeted schemes in showing an impact on poverty, would eventually achieve benefits outweighing the costs. So projects must take the time to institutionalize new, decentralized methods for planning and capital investment that are transparent and that foster the participation of the local community. The assessment rated the projects high for their innovative participatory approaches to involving local government and communities.

### Box 6.3 *Fostering District Development in Uganda*

The United Nations Capital Development Fund's projects have been successful in Uganda, where its District Development Project covers five districts. One factor contributing to success is the government's strong commitment to decentralization.

An unconventional aspect of the project is the long time taken to formulate a local project. Extensive research and long consultations with all interested parties have to precede any project activities. The project then usually starts relatively quickly, and the key participants understand well what it is trying to achieve and the methods it will use. Often local governments become intensely committed to the project, regard it as their own and incorporate some of its features into their normal operations.

Community participation is high, and issues are openly discussed. So there is strong popular commitment to the clinics, schools and roads selected. Driven by people's priorities, most investments have gone into health, education and water supply. One feature of such social investment: it takes time to show measurable effects on income poverty because it stimulates growth in employment and income only with a lag. Moreover, the staffing and materials for the schools and clinics imply significant recurrent costs.

Governing the project's implementation are explicit poverty-oriented performance criteria. If districts score well on more than half of the eight performance

measures, their local development fund is increased by 20%. If they do not, their fund is reduced by 20%. So rather than the familiar reliance on training and capacity building for success, the project depends more on staff motivation and an effective system of rewards and sanctions.

Accountability is valued highly. The transfer of funds from the district to the village is as transparent as possible. Rather than a traditional system of financial audit, the project depends on a "public audit", making the use of funds and the costs widely known in the community. The aim is democratic decision-making on the priority uses for the funds throughout the system.