Note by the secretariat

SUMMARY

A number of countries in Asia have legislated far-reaching reforms relating to good governance through devolution of authority and responsibility. The challenge of good governance is to ensure the effective implementation of reforms. The recent Asian financial crisis provided the impetus to strengthen local governments to sustain and raise the quality of economic growth. While governments were involved fully in the design of comprehensive reform packages and the related legislation, their inability to ensure implementation limited the impact of such reforms.

The Commission at its various sessions has recognized the importance of good governance through decentralization and has directed the secretariat to assist in people-centred development.

Legislating decentralization policy alone cannot empower people. Decentralization policy should include a social mobilization programme that will motivate poor and marginal households to organize and seek access to available opportunities and resources. The role of external agencies with their resources, expertise and experience is crucial to the decentralized development process. Policy makers often lack comprehensive interaction and feedback and thus appear to be uninvolved in the process.

Learning, dissemination and policy advocacy are integral to the empowerment process. While both government and non-governmental organizations (NGOs) have been involved in the empowerment of the rural poor through decentralization, there has been no systematic documentation on lessons learned to guide policy makers and those others involved. The region has the opportunity to learn from successes and failures in empowering the poor. Reaching the rural poor in a sustained manner should become a critical issue for the current decade. The Commission is requested to deliberate this important issue affecting rural poverty and give guidance for further action.

I. BACKGROUND

1. Rural poverty alleviation through economic and social development was high on the state agenda in almost all countries of the Asian and Pacific region during the second half of the twentieth century. To achieve that goal, several development models were experimented with. These ranged from state-driven import substitution to market-driven export promotion models, from agriculture focused to infrastructure focused models and from the trickle-down approach to directly focused programmes. Several other policies, such as effective land reform, development of irrigation and drainage systems, subsidized inputs and credit facilities, human resources development and primary education and health care services were also pursued to achieve economic and social development. As a result, the incidence of poverty declined during the 1980s and 1990s, but with sharp variations across the region.

2. Even in the rapidly growing economies of East and South-East Asia, the social foundation of the urban miracle and the rural transformation were far less durable than initially expected. This weakness became more apparent with the onset of the economic crisis in 1997. During the high growth period, the reduction of absolute poverty and increased levels of social development (education, health, family planning and social mobility) were notable. The rapid expansion of the urban middle class was another achievement. These changes occurred across the region, despite the decline in public investment funds for social development. The onset of the economic crisis, however, triggered job loss, an increase in school dropouts among low-income and poor families, and cuts in basic health care and social services. Some attributed this to the fact that neither had the social development pattern been broad based during the high growth days, nor had the distribution of the social cost been widely shared during the crisis.
3. In many countries decentralization was the principal institutional development strategy for reaching the local level. In the enactment of decentralization policies, various strategies and structures of local development were adopted. Yet development was uneven across sub regions, even within a country. In the high growth economies, similarly, opportunities were created by opening markets at the local level. The traditional cropping and labour demand patterns were replaced by market-driven high-valued commodities and demand for skilled labourers. This happened in Karnataka, India and central Thailand, where paddy lands and mangrove areas were converted to high-valued export-earning prawn cultivation.

4. A fresh attempt is being made by many governments to transform institutional tools and enable people to be participants in and beneficiaries of developmental governance. It is increasingly acknowledged that institutionalization of developmental governance at the local level could increase participation of the people in the mobilization and allocation of resources for development in their respective areas. It is hoped that by devolving more authority and channeling more resources to the local bodies, a balanced and equitable distribution of development across the region can be achieved.

5. At a number of United Nations forums commitment was given to the need to empower the poor to eradicate poverty (see annex). The Commission has also emphasized the need for good governance as a prerequisite to successful rural poverty alleviation policy. Further, it has directed the secretariat to review regularly national experience in rural poverty alleviation through decentralization. In this regard the Commission has directed the secretariat to assist in people-centred development and to study and examine ways to raise the capability of governments. The Committee on Socio-economic Measures to Alleviate Poverty in Rural and Urban Areas stressed the need to accelerate the pace of decentralization of public administration in all countries of the region. While this is a significant development, there is no automatic guarantee that the people will get a better deal than in the past from this latest intervention. The effectiveness of local governance will be judged by its relevance and its capacity to deliver development that benefits the rural population of a country.

6. Legislation alone cannot empower people. People need to be enabled through, for example, education, motivation, empathy and support from political and professional communities that work on their behalf. The formal structures of local governance therefore need the support of people-based community organizations to make decentralization work for the people. Organizing the poor is not a stand-alone activity to be implemented by non-governmental organizations (NGOs) outside the decentralized local governance process. Decentralized development should be linked to the poor and marginal households through a participatory mechanism so that the poor can take part in the development process.

II. EMPOWERMENT OF THE RURAL POOR

7. Earlier development strategies assumed that rural communities could respond to the market economy with only minimal efficiency and productivity. Since their capability was perceived to be minimal, governments assumed the role of providing services at national and local levels. This led the government to believe that development was simply managed change. It therefore required a management structure capable of changing the attitudes and behaviour of the rural people so that they could upgrade their production and consumption patterns. Public institutions were expanded and a bureaucratic system designed to accommodate development needs. This approach placed great emphasis on projects requiring specialized technical skills and expertise, while it ignored the diverse rural conditions and the capacity of the rural poor.

8. Several Asian countries initiated community focused programmes during the 1950s and 1960s. These programmes, popularly known as community development programmes, regarded rural people as beneficiaries but not participants in the development process. Their centrally designed training and extension packages were implemented by extension agents using a top-down mode of decision-making that took no note of local conditions and training needs. Consequently, owing to traditional power structures, legal barriers, lack of access to resources and gender imbalances, the bulk of the inputs to the villages were absorbed by the better-off sections of the rural communities. Some development strategies in the 1970s and 1980s, such as integrated rural development programmes (IRDPs), the basic needs approach and rural infrastructure development promoted popular participation in the mobilization and use of local resources. These strategies regarded the underutilized “free labour” of the people
as an important input for sharing the process and cost of development activities, which in turn, also ensured the "ownership" of the projects by the people.

9. Not only did the centralized rural development programmes fail to address area-specific problems and potentials but they also aggravated the chronic problems of poverty, such as seasonal out-migration and the depletion of social capital and natural resources. These programmes diluted the traditional initiative of the people to develop land and irrigation systems. In the past, for example, the rural people had carved farming lands out of the rugged hills of Nepal, and had taken measures to survive without outside help in such difficult environments as the coastal areas of Bangladesh. In such instances, centralized rural development policies and administration had manifested their limited ability to meet the needs of the rural poor. In this regard, a recent study of Thailand has drawn the following conclusions:

(a) The unitary approach to government policy and practices prohibits alternatives to rural development. Each village loses its autonomy and uniqueness and becomes more dependent on the government budget and resources. Through state-funded development programmes, the government defines the development scope for the village. The predetermined development focus of the government makes the rural development process both linear and rigid, failing to take into account the natural beauty and uniqueness of each village;

(b) The rapid expansion of the functions of the line ministries creates incoherence in the policy and functions of those ministries, and a non-responsiveness to community needs. This results in poor policy implementation;

(c) Rural development administration becomes one among many work routines of the bureaucratic system. The annual planning system from the provincial level down to the village level is directed and controlled by the government. It loses the essence of a community-driven plan in which the community not only owns the land but benefits from it.4

10. In the 1980s and 1990s, several self-help groups and NGOs worked in various countries to develop awareness and motivation among the rural poor in order to empower them to fight against the scourge of poverty. The poor households and associated rural communities were sensitized to their dignity, self-respect and rights as bona fide members of society. These groups developed a link that was often missing in rural development, i.e. people-centred development, to achieve poverty eradication and social change. The Swabalamban (self-reliance) programme of Nepal, Grameen Bank and Bangladesh Rural Advancement Committee (BRAC) of Bangladesh, Sarvodaya Movement and Federation of Thrifts and Credit Cooperatives Union (SANESA) of Sri Lanka and Self Employed Women's Association (SEWA) of India are examples of some successful groups that demonstrated techniques for reaching the poorest sections of the society and cultivating in them a sense of self-reliance and self-confidence. By providing cost-effective social services, and by engineering basic economic and social reforms, they have helped to develop a moral and professional sensitivity among the development agents who work with the poor and for the poor.

11. A recent study of the role of NGOs in poverty alleviation in Bangladesh has shown that NGOs are becoming more efficient and cost-effective in service delivery to and the empowerment of the rural poor. For example, BRAC has been providing effective health and population programmes to its target groups; 73 per cent of those registered in their programme regularly use its facilities as compared with 15-20 per cent who make use of government health facilities. Similarly, the drop-out rate in the BRAC primary education programme is as low as 2 per cent compared with 60 per cent in the government primary school. The superior performance of BRAC schools is attributed to their flexibility in adjusting to the circumstances of their student body, which are mostly from the rural poor community. More recently, the Government of Bangladesh has been collaborating with BRAC in an expanded programme of immunization to generate demand through awareness, education and training.5 In Thailand, NGOs have been effective in protesting the destruction of mangrove forests and inland shrimp culture owing to the impact on the environment and human health.6

12. Several lessons can be learned from these successful NGOs. The poorest sections of the society need to be organized into viable groups under a fearless and dedicated community leader. Community participation, self-reliance and self-help are essential
pillars for success; and women are bankable and eager to assume the broad responsibilities of community development. As NGO initiatives have managed to reach the poor in a more cost-effective manner, even governments are implementing selective activities in conjunction with them. Successful NGOs have a vision that is clear and actions that are transparent. They empower their poor beneficiaries during the project implementation period, enabling them to sustain the process after the completion of development activities.

13. The key ingredients for empowerment are summed up below:

Motivation. Poor households should be encouraged and motivated to form groups which are the principal institutional mechanism for organizing and pursuing community development activities in the village. These households would then begin to understand the value of association or organization and routine interaction and the power they can have through asserting themselves as citizens and members of the society. The groups should be encouraged to engage in income-generating activities using their own resources and capabilities.

Awareness raising and training. Awareness-raising in several areas, such as immunization, sanitation and primary education should be pursued. Similarly, vocational skills should be imparted through participatory methods, where local knowledge, mainly based on experience, can be combined with outside knowledge. Such training can assist the rural poor to set up their own self-employment activities or go outside for seasonal employment.

Resource mobilization. Resources mobilization is a method of pooling individual resources through regular savings and voluntary contributions to create social capital. The idea of pooling the members’ own resources is based on the realization that everybody owns some resources, which, if combined, could improve their individual situation substantially. Careful consideration should be given to developing a proper system of resource generation, allocation and utilization, so that all members have equal opportunities. This would ensure ownership and sustainability.

Self-management. Groups should be capable of electing their own leaders and managing their own activities, such as the conduct of meetings, record-keeping, savings and credit operations, conflict resolution and community property management. In the initial stages, an outside agent can assist them in developing a system. Later the groups can be given full autonomy over the system.

Linkage building. Organizing self-help groups at the grass roots is a method of activating the “demand side” of decentralized policies by enhancing the capability of the rural poor to access the resources, opportunities and organizations of the state that are working for their development. As such, it is crucial for the rural poor to have linkages with decentralized institutions in order to gain access to opportunities and resources.

III. DECENTRALIZATION AND GOVERNANCE

14. Good governance is increasingly cited as a key component in any successful strategy to reduce poverty. Decentralization of authority and responsibility is a key factor in good governance. Good governance is concerned with institutionalizing democracy in such a way that the structure produces the expected functions. A recent study has argued that the persistence of poverty in most countries has its origins in problems of governance rather than in an inadequacy of resources. The basic argument about the role of governance in development holds that weak governance is the result of failure of the state to do the following:

- Project a developmental vision
- Demonstrate a commitment to realize the vision, through putting in place policies and programmes, as well as calibrating priorities to realize the vision
- Develop the administrative, technical and political capacity to mobilize the necessary support within the civil society to translate the vision into reality
15. The absence of a vision originating from within the country and projected through its political leadership leads to the loss of ownership over the country's developmental agenda, usually to aid donors. A more serious hazard is that different areas of policy-making are appropriated by special interest groups pursuing sectional concerns at the expense of a set of national goals.  

16. Decentralization policy is generally regarded as critical for efficiency, equity and participation. With regard to efficiency, decentralization contributes to identifying local priorities, potentialities and resources for the appropriate preparation, implementation and sustainable management of projects. With regard to equity, local governments are often in a good position to administer services that have important redistributive implications, such as primary health care, education, child care, housing and public transportation. With regard to participation, the identification and mobilization of all available resources and their deployment in accordance with popular needs requires direct participation. Local self-governments can make a contribution to the health of a nation's democracy by offering opportunities for greater participation in the business of governance and by creating a democratic climate of opinion. Through a local electoral process, the political parties aggregate the demands of the dispersed population, represent political interests, ensure electoral competition and form governments, thereby facilitating the participation of people in governance. 

17. The role of local bodies in the development effort has been gradually increasing over the years, irrespective of the stage of economic growth in the country. In Nepal, the recent promulgation of the Local-Self Governance Act 1999 was a landmark event for decentralization and participatory development. In Thailand, the recent economic and social crisis led to the realization of the importance of self-reliant and sustainable development at the community level. Accordingly, the new constitution of 1997 envisioned a more decentralized and participatory structure in which government institutions at all levels would operate in a more transparent, accountable and responsive fashion. At the local level, a holistic rural development concept is being conceptualized with the increasing realization that a rural development paradigm guided by the notion of economic growth alone fails to enable rural communities to achieve self-reliant and sustainable development. In Indonesia, new laws were enacted in May 1999 which dealt with administrative decentralization consistent with the devolution of responsibilities. 

18. The experiences of several countries of the Asian and Pacific region, however, show that decentralization policies, though enacted in several forms, suffer from drawbacks such as the following: 

(a) When power is devolved to the lower level under the decentralization policy a power vacuum may develop at the central level. Central level leadership is therefore reluctant to implement full-scale decentralization. This has created confusion in the regulatory and promotion functions of the local bodies. Take the case of Thailand, for example, which has complex and multi-level administrative structures comprising the local, regional and central levels. The regional and central structures play a major role in the management of natural resources, while local administration is less involved in planning. The authority to monitor and enforce compliance with environmental regulations is scattered among several agencies, each operating under the mandate of a different set of laws and regulations. This situation has often resulted in open competition and disagreement between the various resource agencies, such as fisheries, forestry, lands and irrigation. This policy needs to be redefined so that roles and responsibilities are assigned to different tiers of governance in accordance with their comparative advantages. The policy may change the nature of work at different levels, but not necessarily the level of responsibility and authority. For example, the lower level may be more involved with implementation aspects, while the higher level could be involved in policy formulation, monitoring, setting standards and research. Such arrangements could improve the efficiency of governance at all levels. 

(b) The comprehensiveness of the policy is undermined by relating it exclusively to the functioning of the local statutory bodies which are constituted under a particular ministry, such as the ministry of local government or rural development or agriculture. But can the decentralization policy be functional at the local level without corresponding reforms at the central level? Without appropriate reforms at all levels, the functions of local and central authorities will overlap. In order to
make policy functional, several supporting institutions should be strengthened and activated to train local cadres and lay officials in their duties. A mechanism for monitoring the process continuously and comprehensively and of evaluating the outcome is required.

(c) Planning and plan implementation modalities at the macro and micro levels in a decentralized system are still the cause of confusion in many countries. For example, at the central level all sectoral ministries obtain approval for their sectoral policies, programme and budget from legislation. Similarly, in the case of expenditure, each ministry is answerable to the auditor general and to the parliament when the report of the Auditor General is debated. But how do sectoral line agencies fit into the sectoral planning of decentralized development, and how do they provide technical expertise and regulate expenditure in their sectoral programmes at the local level, so as to be answerable to the parliament and accountable to the Auditor General? Moreover how can local self-governments be developed that are autonomous and responsive to local needs and aspirations?

(d) Participation of people through NGOs, cooperatives or the like has been more effective at the local level because, among other things, the link between the project officials and the public is direct and focused. Such mechanisms can create greater transparency in the implementation of projects and programmes and greater accountability among public officials in charge of implementation, thereby enhancing the sense of ownership among project beneficiaries for project sustenance. In the context of decentralization, a clear methodology is needed for involving NGOs in decentralized planned development so that they can continue to derive benefits. Meanwhile, the task of the empowerment and social mobilization of the poor remains unfulfilled. The necessary institutions and political capacity will have to be developed if empowerment is to become a political reality. The required mechanisms should take advantage of the plurality of initiatives, but at the same time, they should be woven into the broad framework of the decentralized planned development process.

IV. PARTICIPATION OF THE RURAL POOR: MIXED EXPERIENCE

19. There has been a constant debate on the methods and sequence of enabling people to participate in the development process. Earlier development strategies treated people as "objects" or "target groups" to whom development was to be delivered by outsiders. Those concepts perceived the rural poor as passive recipients who wait for outsiders to come to their assistance. Such an approach might work in a relief operation but certainly not in the empowerment of the rural poor. That concept is currently undergoing change. The participation of the rural poor is both encouraged and supported.

20. The openness in economic policies resulting from liberalization and privatization has been followed up by changes in local governance through decentralization in many Asian developing countries. The Human Development Report 1999 shows that the benefits of competitive markets can be preserved and can meet the needs of human development only with strong governance, local, national, regional and global, with a clear framework of rules, institutions and established practices that sets limits and gives incentives to individuals, organizations and firms.

21. The experience of the participation of the rural poor in governance has been mixed. In recent years, with more countries installing an open and democratic system of governance, political participation through elections has expanded at both national and sub national levels. Still, the majority of the rural poor have not been active partners in governance, rendering the systems of governance less responsive and relevant to the needs and concerns of the rural poor.

22. National governments have increasingly been sharing responsibilities and revenues at sub national levels, which are closer to the people. In India, for example, in recent years legal and financial provisions have been decentralized substantially. But institutional capabilities and human resources have not been enhanced commensurate with the decentralized responsibilities. As a result, many local bodies remain incapable of discharging the functions that have been devolved to them. In Indonesia, for example, there is a fear that the weak capacity of local governments and the lack of structure and direction in the use of fiscal transfer could blur the link between spending and accountability and create problems in service delivery.
23. Furthermore, the majority of the rural people are disorganized and have little or no training. They are, therefore, unable to access the opportunities and resources that are available through the decentralized mechanism. This is made more difficult by complicated rules and regulations. A few NGOs are taking a lead in this regard and are working in the areas of social mobilization, awareness-raising, environmental protection and income generation. However, the absence of proper mechanisms for coordination with different tiers of government structure is a hindrance. NGOs and representatives of civil society need to complement each other and avoid overlaps, so that the outcomes of the macro-level policy liberalization reach the rural household level. This could result in cost-effective implementation of rural projects and contribute to the prosperity of the rural poor.

24. Several types of rural credit, inputs, extension and services are available at the local level through government, development banks and NGOs. Self-help groups organized under several agencies have collected a considerable amount of savings through their regular saving scheme. A large number of micro-finance agencies are also working at the local level to provide small credit to the rural poor. However, the demand side has not been activated through more productive and upgraded technologies for using the available resources, which could yield higher returns. Consequently, there is a real risk that the poor farmers could become debt-trapped by easily available credit, unless an increase in marginal returns enables them to repay loans.

25. A proper linkage is lacking between the rural poor and the market mechanism. The competitive market is dominated by large producers who supply products in bulk, with uniform quality, at one collection point. They have greater propensity to bargain for price and the terms of trade. But that is not the case with the poor farmers. They usually have diverse products with varied quality and these are scattered in small farms. The poor farmers need immediate cash and thus have very little power to bargain for the price and the terms of trade. The real issue then is how to organize such diverse groups to maximize the benefits for the poor. As in the process of liberalization of the economic regime, large producers and merchants obtain concrete support through credit, subsidies and technologies, while the small and landless farmers, who constitute the majority in many developing countries, remain marginalized from the market mechanism.

V. CONCLUSIONS

26. The attempts made by selected Asian developing countries to decentralize authority and responsibilities in order to improve governance and enable the poor to improve their condition are broadly summed up below:

(a) A number of countries have legislated far-reaching reforms relating to good governance through devolution of authority and responsibility. The 1997 Constitution of Thailand, the Local Self-Governance Act 1999 of Nepal and the Local Government Administration Central-Local Fiscal Balance Laws 1999 of Indonesia and the decentralization process in India are some examples. The challenge for good governance in many countries is to ensure the effective implementation of the reforms already initiated. The recent Asian financial crisis provided these countries with the impetus to strengthen local governments in order to sustain and raise the quality of economic growth.

(b) The general tendency of many governments has been to design and formulate legislation for comprehensive reform packages, while pursuing only partial implementation and thereby failing to gain the full benefit of reform. Such broad-based policies should be implemented fully, with all checks and balances functioning properly so that they yield the intended results.

(c) Legislation on decentralization policy alone cannot empower people because of limitations in reaching the poor households. The majority of the rural poor fall below the level reached by the decentralized structure. Therefore, a social mobilization programme must be included in the decentralization policy, by which the poor and marginal households can be motivated, organized and empowered to obtain access to available resources and opportunities. At the same time, the concept of good governance and the empowerment of the rural poor should proceed side by side. The issue of good governance should also be seen comprehensively, where macro-level policies and institutions are reformed in conformity with the micro-level reforms so that the growth and redistribution
process can proceed simultaneously and, ultimately, empower the people at large.

(d) External agencies with their resources, expertise and experience in developing broad-based decentralized development processes, play a critical role in the successful implementation of decentralization policy. Their assistance could be the crucial catalyst. It would not jeopardize the ownership of the local stakeholders, a necessary element for the sustainability and participatory nature of the policy process. (18)

(e) Several experiments in rural development have been conducted by several agencies through government or NGOs. Such experiments may differ in concept, content and approach, but almost all have similar goals and concerns. Policy makers often have little knowledge and even less influence about the state of affairs. Needless to say, the opportunity to learn is also lacking when there is no mechanism for collective and comprehensive interaction and feedback. Unfortunately, there has been no systematic documentation of the lessons learned from the experiments. Such documentation could guide policy makers, consultants and advisers in designing similar programme activities. Therefore, learning, dissemination and policy advocacy should also be a part of the empowerment process.

(f) Opportunity exists in the region to learn from successes and failures in the process of empowering the poor. The current phase of transformation in the nation-building process is interesting: from centralized decision-making to a decentralized participatory process. How best to reach the rural poor in a sustained manner is indeed an important issue. The momentum in the region to reform governance, empower the rural poor and eventually eradicate poverty needs to be maintained with full technical and financial support from the international community.

27. The above issues have been submitted to the Commission for consideration. The Commission may wish to provide guidance on future actions in this regard.

Annex

At present $83 billion is spent annually on basic education, $8 billion on water and sanitation, and an additional $10 billion on reproductive health and family planning. Together with nutrition and primary health care, approximately $136 billion is currently spent on the provision of basic social services. An additional $70-80 billion a year would guarantee universal access to all these services.

At the 1995 World Summit for Social Development, 117 heads of State and Government and the representatives of 186 countries maintained that eradicating extreme poverty in the world, through decisive national actions and international cooperation was an ethical, social, political and economic imperative of humankind. These sentiments were further elaborated at the Fourth World Conference on Women who’s Platform for Action called upon governments, development agencies and civil society organizations to take concrete action to eradicate the persistent and increasing burden of poverty on women.

The Economic and Social Council in its agreed conclusions 1996/1 focused on the coordination of United Nations support for poverty eradication. The 1999 high-level segment of the Council examined the relationship between employment, poverty eradication and gender and noted the unique role of the Council in promoting an integrated and coherent view of cross-cutting policy issues. In the 1999 high-level operational segment, the themes of poverty eradication and capacity-building were examined and the Council in resolution 1999/5 explicitly asked the United Nations system to "support, in a coherent and coordinated manner, national efforts to empower people living in poverty, in particular women." It further requested that such support utilize “mechanisms such as the common country assessment and the United Nations Development Assistance Framework... in order to provide an integrated, coordinated and collaborative response by the United Nations system to national priorities for poverty eradication.”
The Administrative Committee on Coordination (ACC) Statement of Commitment for Action to Eradicate Poverty, adopted by ACC in May 1998, emphasized that "poverty is a denial of choices and opportunity, a violation of human dignity." The statement supported the catalytic role of the United Nations in mobilizing the "energies and resources of all development actors in the campaign against poverty."


4 C.N. Chiangmai, Options for Administration of Rural Development at the Local Level (Bangkok, National Institute of Development Administration, 1999).


6 M. Flaherty, P. Vandergeest and P. Miller, loc.cit.


12 C.N. Chiangmai, op.cit.


14 M. Flaherty, P. Vandergeest and P. Miller, loc.cit.

15 R. Sobhan, op. cit.

16 United Nations Development Programme, Human Development Report…

17 Asian Development Bank, "Good governance".