

# **MANAGEMENT THROUGH DECENTRALISATION AND LOCAL ECONOMIC DEVELOPMENT: A CONDITION FOR SUSTAINABLE URBANISATION IN AFRICA**

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## Abstract

Many developing countries including those in Africa thrive to provide decent public services to their citizens; this includes the provision of basic services such as water and electricity. However, the initial findings revealed that, lack of capacity, adequate leadership; corruption and good governance are some of the reasons why these countries failed to achieve their development objective, especially in most African countries. Western countries after the World War II (WWII) put in place the Marshall Plan to assist countries in Europe that were seriously damaged by the atrocities of the War. The Marshall Plan was a whole developmental package for reconstruction and development strategy; this included the rebuilding of infrastructures, schools, hospitals and the entire reorganisation of state apparatus. From there on many international organisations were created to entrench and consolidate the notion of democracy in most of these European countries. The notion of democracy and good governance therefore became the flagship for administration in Europe. Since then nation building and societal cohesion initiatives have assist local, provincial and national governments to adopt policies that use national resources effectively for continually building Europe in order to maintain its economic and political power. Organisations such as the United City of Local Government (UCLG) based in Spain and its related organs across the world have encouraged cities of countries members to develop through decentralisation strategies since decentralisation is perceived in the current context as a condition to sustainable urbanisation and local economic development. This paper is therefore based on the premise that, urbanisation could be effective only if decentralisation policy is at the centre of development initiatives. In this way the paper argues, local authorities could utilize local resources to ignite local economic development (LED) through for instance trade activities and investments. LED initiatives aim at empowering local stakeholders to utilise business enterprises, labour, capital and other local resources effectively to maximise local benefits in order to contribute to poverty reduction and the uplifting of citizens life conditions. The paper is divided into four major parts. The first part gives a background of the notion of decentralisation, urbanisation and local economic development. The second part gives an account on how the above are inter-related. The third part provides the challenges faced by urbanisation in achieving local economic development and part four is presented as conclusion and recommendations.

**Keywords:** Developing countries, Marshall Plan, World War II, Africa, decentralisation, urbanisation, local economic development, corruption, good governance, UCLG.

## **1- Introduction**

This paper is based on the premise that, urbanisation could be effective only if decentralisation policy is at the centre of development initiatives. In this way the paper argues that, local authorities could utilize local resources to ignite local economic development (LED) through for instance trade activities and investments. Dawking (2003) argued that, the result of free trade among regions actually reinforce the process of cumulative causation where growth is catalysed in the more developed regions. For instance, according to Cumulative Causation Theory (Myrdal, 1957), some markets and places or nodes attract capital and skilled labour force accumulating competitive advantages compared to other locations. The theory argues that, less developed localities can have advantages from growth in developing areas due to spread effect that derived from diffusion of innovations in lagging areas and rise in export markets for products from these lagging areas.

However, the argument from Dawking experience is that that, free trade usually generate economic growth at local level, helping lagging areas to develop overtime, which in turn may trigger local economic development. Dawking further contended that, the implementation of decentralisation policy may liberalise the economy and open it to international trade, to agreement between local and foreign municipalities. He argues that, foreign direct investment (FDI) may have direct impact locally, due to technology transfer. Even though, the study is not concern about export activities, this article recognises that, trade activities within a decentralised area can have positive impact on local economic development.

LED initiatives aim at empowering local stakeholders to utilise business enterprises, labour, capital and other local resources effectively to maximise local benefits in order to contribute to poverty reduction and the uplifting of citizens life conditions. With the above in mind, Edoun (

2012) argues that , decentralisation should be assessed within the context in which it is defined if it is to be used as an instrument for local economic development leading to sustainable urbanisation. Hussein, (2004) argues that, an effective understanding of the context in which decentralisation initiatives are undertaken is important, so too are their forms and their major outcomes. This is critical as decentralisation may contribute to local economic development (LED). Many forms of decentralisation may be useful for LED. Decentralisation may be political, administrative and fiscal. Political decentralisation, as described by Work (2002) and Lauglo (1995), refers to the devolution of political power and authority to sub-national levels of government, usually by election. However, when there is transfer by law and other formal actions, of responsibility, resources, and accountability, this is viewed as devolution (Smith, 1985); (Adamolekun, 1999). Furthermore, devolution, as defined by Dyer and Rose (2005), refers to the power formally held at sub-national level, where local decision makers do not need to seek higher level approval for their action. According to Work (2002) and Lauglo (1995), administrative decentralisation refers to the transfer of decision making authority, resources and responsibilities for the delivery of selected number of public services from central government to other levels of government agencies.

Oluwu (2004) argues that, according to conventional definitions, when responsibility or authority is transferred, but not resources or local accountability, this is referred to as de-concentration. Equally, Dyer and Rose (2005:) describe de-concentration and delegation of authority, as involving the shifting of management responsibilities from the center to the lower level, but the center still retains the overall control of powers. When responsibility, authority and resources are transferred, but accountability still resides in the centre, there is delegation. This is equally confirm by Dyer and Rose (2005) who argue that delegation involves leaving a degree of decision making to the lower level but the delegated system still rests on the central authority where the power can be withdrawn.

However this article argues that, decentralisation policy has become increasingly apparent in facilitating local economic development. It considers decentralisation as a

condition to local economic development. To ascertain the above statement, this study examines the impact that decentralisation has had locally and at international levels in terms of urbanisation. This article argues that if decentralisation has succeeded to stimulate LED in other countries and facilitate urbanisation, the same could be possible in Africa. Therefore, a number of recent studies have explored the impact of decentralisation in various countries.

Hussein (2004) found that decentralisation had a positive impact on targeting social assistance in Malawi. Christopher Pollit (2007) similarly using the new public management approach found that, decentralised management advanced poverty alleviation goals in Europe. The same results were confirmed by Reddy (1996) for South Africa. Habibi et al (2001) studied the impact of devolution on social sector outcomes in Argentina for the period 1970-94 and concluded that fiscal decentralisation had a positive impact on delivery of education and health services as well as reducing intra-regional disparities.

The above studies are therefore of the view that, decentralisation is an important element for local economic development which is why this article considers decentralisation as a condition to LED. However, the article argues that, the state should put in place democratic instruments for a better implementation of decentralisation policy.

Decentralisation is a process that takes into account the transfer of authority and power to plan, make decisions and manage resources, from higher to lower levels of government, in order to facilitate efficient and effective service delivery (Smith 1985). However, the major form of political and administrative decentralisation that has been adopted by most developing countries is devolution. Eyoh and Stren (2006), argued that, political and administrative decentralisation is important for the promotion of local development. According to them, decentralisation has operated at many different levels and in different ways in particular local contextual situations. The involvement of citizens in development

planning and implementation enables the formulation of realistic plans that are in line with local circumstances and conditions. Administratively, Decentralisation is considered as a key strategy that provides solutions to overloaded and over-centralised agencies (Olowu 1994; Pillay 2009).

Pillay (2009) argues that, to allocate greater powers to local government would signal a corresponding diminution of provincial government. This dilemma also plays itself out in the case of particular service delivery, for example, in the case of primarily healthcare provision in South Africa. UNDP (1999) argued that, the responsibility for primary health care (largely pre-emptive and diagnostic services provides at clinics) is being devolved from regional to local authorities, often at the insistence of the regional authorities, as the local authorities are better able to manage these services.

Although a wide range of political, administrative and socio-economic merits are attributed to decentralisation and participatory approaches, a number of scholars have raised criticisms relating to their technical, theoretical and conceptual limitations (Cook and Kothari 2001; Smith 1985). Smith (1985) states that decentralisation appears to be parochial and separatist as it threatens the unity of the general will, reinforces narrow sectional interests especially and encourages development inequalities, among others, due to its emphasis on local autonomy. There are a number of critiques relating to the quality, validity, ethics and operations of participatory approaches. These approaches to development are methodologically considered to be parochial (Cook and Kothari 2001). For instance, the current study argues that participatory strategies generate poor standards and practice and lead to the abuse or exploitation of the people involved.

Lemarchand (1998) argues that despite claims that participatory approaches to local development improve efficiency and effectiveness, and promote processes of democratisation and empowerment; there is little evidence about the effectiveness of

participation in ensuring sustainable development and material improvement among poor and marginalised people.

There is debate over a number of issues including the use terminology like ‘community participation’, the objective of participation as to whether it is a means or an end, and the applicability and the appropriateness of the techniques and tools (Cook and Kothari 2001). For instance, it is argued that the term ‘community’ masks power relations, biases in interests and needs based on ethnicity, age and class. It is also suggested that, in practice, participatory approaches simply mask continued centralisation in the name of decentralisation.

## **2- Linkages between decentralisation, local economic development and urbanisation**

The linkage between decentralisation and local economic development is very significant in this article since Local Governments who are viewed as decentralisation agents play an important role on LED. Edoun (2011) in quoting (Bennett & McCoshan, 1993; Helmsing, 2002c ) inferred that, the literature on local economic development revealed that, Local Governments play decisive role on LED initiatives. Helmsing (2005) argued that, Local Governments have a direct role through service delivery, which potentially provides a source of economic opportunity; the delivery of services may enhance or inhibit local economic development and competitiveness.

He inferred that, poor services may reduce attractiveness of a place for external investors and raise costs for the ones operating from there. For instance road maintenance or the lack of it; Orderly territorial development, through physical and land use planning and development control reduces uncertainties for investments by households and firms and potential social conflict about negative externalities by virtue of their public interest role, Local Governments have a ‘capacity to convene’ other social actors to define the local public interest and the broad direction of local economic development; lastly, Local

Governments can enable or facilitate other actors to make a more effective contribution towards solving LED problems.

Devolution, by giving local institutions the power to make some decisions without consulting authorities at the centre, bureaucracy is minimised and decisions become flexible and adjusted to respond to situations at hand. In this context, decentralisation is viewed as an approach to facilitate the even distribution of resources and minimising the development of regional inequalities (Oyugi 2000 , L'Oeil 1989). For instance, as local economic intervention, the decentralisation process entails establishing or decentralising small-scale projects close to the grassroots (Nicholas, 2007).

Furthermore, Oyono (2004) argued that, local economic development can only take place when power is decentralised, giving local authorities the platform to exercise their power without any manipulation from the national government. However Cheka (2007) argues that, if national government influences decisions at local level, local economic development may suffer some setbacks. For example in Cameroon, the Government Delegates are appointed by the State. These Government Delegates are in charge of implementing some key projects at local levels and reporting directly to the central government (Ministry of Territorial Administration and decentralisation, 2004). Clearly then for transparency sake local governments should be involved in implementing these projects at local levels rather than government delegates

This article then argues that, decentralisation and local economic development are a condition for sustainable urbanisation. The equation related to this argument holds that:  $U = f(D) + f(LED)$ , this means that, in the current context urbanisation (U) is function to decentralisation (D) and local economic development (LED). The argument to support the above statement is that, the current study is of the view that, devolution of power

should be a useful approach to stimulate local economic development since power is transferred by law, so too are the resources and accountability. With devolution triggering local economic development, local authorities are able to collect revenues from tax. These revenues if well managed are ought to be injected in projects such as infrastructures to support the urbanisation strategy and processes. The investments on infrastructures by local authorities in return will attract foreign direct investments. These foreign direct investments activities on the other hand will have a multiplication effect through job creation. Once unemployment becomes under control through sound macroeconomic policies, this may lead to economic growth. However, the pace of the growth should support national strategy for job creation and poverty alleviation.

As initially stated, urbanisation may be possible, if there is political will. All politicians involved in development strategy of the country should respect the rule of law. Money allocated to projects should be free from embezzlement. This therefore calls for the strengthening of national institutions that should hold office bearers accountable.

### **3- Challenges faced by urbanisation in Africa**

The current article has identified a number of challenges that might hinder the urbanisation strategy and processes. These are political, economic and lack of capacity.

#### **a) Political challenges**

Most African Nations became independent in the sixties. Some of these countries inherited some forms of administrations that were not appropriate with the realities on the ground. In the early stage of their rules African leaders who became head of states after independence, ruled with an iron fist, crushing any opposing forces rising up or trying to criticize the ruling government. This was totalitarianism where transparency and accountability were not part of the game. These repressive forces, forced many intellectuals to flee their native countries for greener pasture. The majority of these



nations inherited weak economies and this situation continually led them to become more dependent vis-a-vis developed Nations. While natural resources from colonies help to the strengthening of developed economies, Africa benefited less from the trade. It was therefore clear that, urbanisation strategies aren't going to succeed, since much power was still vested to the colonial master who has economic power. Political elites were created to seek support from the colonial master. With the above in mind, many illegal trade agreements were signed between these elites and the colonial master. Local resources were therefore sold without taking into account, the future of generations to come. This obviously has been a bottleneck for any world class urbanisation in African cities. With the wind of democracy that blew in the 1990's, many African governments, civil society organisations and political parties took active part in shaping the history. As a result, multiparty regimes were accepted in countries where governments in office resisted them in the past. Since then many countries have held some forms of democratic elections where the results were fiercely contested by the opposition. With appropriate monitoring and evaluation systems lacking, funds allocated to national projects were wrongly utilised by greedy office bearers.

### **Economic challenges**

With African countries not being able to benefit from trade, it is obvious that, many of these nations are heavily relying on donor supports which are conditioned and subjected to political manipulations. The weak currencies in most countries in sub-Saharan Africa are other factors that are hindering urbanisation initiatives since most of heavy equipments are purchased from overseas with the expertise and know-how coming from the so called developed countries. With economic crisis forcing most of these countries to adopt some form of structural adjustment program (SAP), the money borrowed from international financial organisations such as the International Monetary Funds (IMF) and the World Bank is usually exposed to inflation, forcing these nations to repay the loan over a longer period with highest rates. Sometimes of these nations are unable to

repay the loans which automatically forces governments to abandon the projects. That is why, in these countries, proper infrastructures are lacking to ignite socio-economic development.

### **Lack of capacity**

The lack of capacity during the implementation phase in most of the projects is often the reason of poor service delivery. For instance some of the roads built are of poor quality and are not always maintained during their life span. This automatically let one to start questioning the tendering processes related to service delivery in public sector. Initial findings however revealed that, the tendering process in most African public sector is a major problem. The commissions in charge of selecting individuals or companies that are supposed to implement the projects, most of the time lack the required capacities and expertise, so too are the selected companies and individuals. But these companies or individuals are given the projects in the basis that, they are part of the political elite of the ruling party. These corrupt activities obviously are the contributing factor for poor service delivery. This situation automatically raises the problem of corruption that is a major impediment in Africa's development. Corruption has huge consequences on Africa capacity to become self-sustainable because of lack of transparency and accountability which are credible instruments that help in measuring success for instance in local economic development.

### **4-Conclusion and recommendations**

This article has provided a robust argument on the impact of decentralisation and local economic if urbanisation is to be sustained over time. The theory that informs this article (causational theory) is based on the premise that, trade activities could fuel LED through innovation or diffusion from developed to lagging areas. However, the article is rather cautious and maintains that, this is only possible, if decentralisation policy is taken into

consideration. From the arguments raised in the current article, the proposed recommendations selected and useful for the urbanisation of Africa should:

- Consider decentralisation as a condition for suitable urbanisation
- Consider good governance on the local level as an institutional system for managing local public affairs.
- Consider mechanisms such as Monitoring and Evaluation in order to track development projects as they are implemented.
- Consider capacity building as a solution to fill skill gaps

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