

Urban Development and Poverty Reduction – Some Institutional Issues

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I. Introduction

Ghana's objective to become a middle income country by 2015 is rigidly tied to our ability to design and implement policies that target the elimination of poverty in our rural and urban areas. Current discussion on policy alternatives to eliminate poverty in Ghana is lopsided. There is an over-emphasis on the economic and financial issues related to poverty reduction with scant attention to the institutional issues that shape and drive the urban policy planning and implementation processes. This paper will discuss the relevance of selected institutional factors to effective urban policy planning and implementation. For purposes of this paper, the institutional setup consists of the complex of forces within the social-political environment within which individuals and groups interact.

II. The Urban Sector - Stylized Facts

One researcher has classified cities and towns into four main categories - small towns, medium-sized/intermediate towns, large towns/cities, and rural settlements. What the researcher calls large towns are those with populations of 250,000 or more; intermediate (medium-sized) towns with populations of 50,000 to 250,000; small towns, with

populations between 5000 and 50,000; and rural settlements. Even though the primary target of most urban poverty reduction programmes target the very large cities, one could argue that the urban sector covers three out of four of the researcher's classification with only the rural settlements not included as an urban area (<http://web.africa.ufl.edu/asq/v8/v8i2a3.htm>). Clearly, the classification cautions against a 'one-size-fit-all policy to solve urban problems in Ghana.

There is broad consensus that Ghana has performed creditably in its war on poverty. In its most recent assessment, the World Bank wrote, "Overall poverty has declined from 52 percent in 1992 to 28 percent in 2006, and Ghana is on course to exceed the 2015 MDG of halving her poverty." These impressive numbers pose challenges to policy leaders and stakeholders who must now search for credible second-tier policies and programmes to protect the historical achievement but also move Ghana closer to its ultimate goal to eliminate poverty. Also the impressive overall performance masks trends that could frustrate the ultimate development objective. Currently, about 38% of the population lives in urban areas (39% for rest of Africa), it has been projected that by 2015 about 48% will be living in urban areas. The annual growth of rural urban migration is about 4.1%, exceeding the growth rate for the rest of Africa (3.2%) (UNFPA, 2007). While one-third of the country's poor live in urban centres, 27% of the urban population is poor. To 'drill-down' the poverty profile in urban areas, consider the five dimensions of poverty as defined in the World Bank's *PRSP Source Book* (World Bank, 2002).

The Sourcebook defines – income/consumption, health, education, security (personal, tenure), and empowerment as the five primary dimensions of poverty. Household surveys in Ghana have shown that poverty is more severe in the rural areas compared to the urban areas. This distribution of the population in poverty is the source of the

massive out-migration of people, especially the youth from the rural to the urban centres. The new arrivals work as porters, street hawkers, and low scale vending activities. The problem for urban planners is the strain placed on the urban health and education infrastructure and social services. Where the migrants are unable to find gainful employment, they end up homeless and despaired with no access to services. For example, about 14% of the population without adequate water supply lives in urban areas, and about 40% of people without adequate sanitation lives in urban areas.

The World Bank describes empowerment as “the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes. Central to this process is actions which both build individual and collective assets, and improve the efficiency and fairness of the organizational and institutional context which govern the use of these assets.” Ghana’s decentralization policy gives some measure of autonomy to municipalities to set taxes, impose user charges, borrow, and carry out a broad array of governmental activities. The Central government still has power to remove local government officials. It should be mentioned that despite some rough edges, Ghana’s decentralization policy has helped introduce the people to the governmental apparatus and issues facing the country. Finally, there is some evidence that crime rates have declined in the major urban areas in the country due in part to the collaboration of the Ministry of Defence and civilian counterparts.

The picture that emerges using the five dimensions of poverty is that urban areas in Ghana have set the stage for take-off in the fight against poverty. The question is whether policy leaders and the strategic stakeholders will be able to define the important issues that must be addressed so as to improve the standards of living in the urban areas.

III. Selected Institutional Issues

i. The Rural-Urban Nexus – Importance of Urban Development in Poverty Alleviation

Urban and rural dwellers sink or swim together in the fight against poverty. An important first step in the search for policy options to alleviate poverty in Ghana is to recognize the interdependency between the rural and urban sectors. The absence of such recognition may frustrate the poverty alleviation objective of the country. If Ghana is unable to evolve an effective urban policy, the rural sector will bear the brunt of poverty since almost 60% of the population is rural residents (WDR, 2003). The World Bank has succinctly explained the relationship between urban development and its importance to rural development: “The conditions ...to bring the rural poor out of poverty are overwhelmingly associated with increasing rural-urban interactions and more intensified use of existing agricultural land. In more dense rural areas with towns, credit markets are more apt to exist, and land more likely to qualify for collateral. Higher farm gate prices associated with better roads and proximity to urban markets and more opportunities for spreading risk, encourage higher-input agriculture. This in turn leads to greater value produced per unit area and generally to more off-farm jobs” (WDR, 2003 p. 88).

According to the World Bank, policy makers need to treat the rural-urban relationship and poverty alleviation as the “virtuous circle” in the sense that “access to urban markets and services for nonfarm production contribute to agricultural productivity and rural incomes, which in turn generate demand and labour supply for more such goods and services.” When policy neglects the development of cities, this may lead to “diseconomies of urban agglomeration”, that is, firms and households are faced with

high land prices, congestion and inadequate mobility in the cities, polluted environment, and threats to social order, public health, and crime.

What emerges is that a credible urban policy must always take into account the rural-urban nexus. In effect, discussion on urban policies may have to involve stakeholders from the rural sector for completeness.

ii. Visioning

According to the Cities Alliance, (a global coalition of cities) “A shared strategic understanding among all stakeholders is essential to align energies to work cohesively for the good of the city. Thinking citywide provides a mechanism for local stakeholders to assess the linkages between their respective priorities for health, security, jobs, housing, education, transport, and the environment and to develop a shared vision” (Cities Alliance, n.d.). Oftentimes urban development policy discussion gets caught up on the financial, resources, and infrastructure aspects of programmes. However, it is the humble opinion in this paper that the critical element in designing any urban policy and programme is the vision of the residents and stakeholders in the urban area. I am of the firm opinion that no project or program will succeed without the acceptance of the programme into the lives of the people affected by the programme. For each city or urban area, residents and stakeholders have to answer a basic question “what city would I wish to live in?” Clearly the vision is a long-term process and the strategies followed today are intended to achieve the defined elements of the vision. Visioning is in essence a collective undertaking that must involve the participation of all the strategic stakeholders in the defined urban area.

iii. Governance

The terms 'governance' and 'participation' are often used together in discussions of public policy formulation. There is a minor distinction between the terms but both emphasize a common outcome. One study defines governance as "the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them." 'Participation' on the other hand has been defined as "the process through which stakeholders influence and share control over priority setting, policy-making, resource allocations and access to public goods and services" (World Bank, 2002). When people affected by a project are allowed to participate in the design and implementation of policies affecting the project, then we have 'participatory governance.' What is known as "community-driven development" (CDD) captures the essence of participatory governance for as the World Bank has explained, "experience has shown that given clear rules of the game, access to information and appropriate capacity and financial support, poor men and women can effectively organize in order to identify community priorities and address local problems, by working in partnership with local governments and other supportive institutions." Specifically in the context of urban development, the World Bank has also pointed out, "*Good governance implies inclusion and representation of all groups in the urban society – and accountability, integrity, and transparency of local government actions – in defining and pursuing shared goals (vision (mine)).* Capable urban management requires a capacity to fulfil public responsibilities, with knowledge, skills, resources, and procedures that draw on partnerships. If indeed, the objective of policy is to alleviate poverty in urban areas, then the lessons from participatory governance are instructive.

iv. Public Education

There is a rich history of adult education in Ghana. Beginning with efforts by the Colonial office in the early 1940s, Ghana has evolved an adult education programme that is widely considered to be among the best in Africa. There is considerable literature on the contribution of adult education to addressing health, environmental, social, and political (empowerment) issues. One could argue that urban economic policy issues have not been popular in the adult education literature. This is not to deny that the extensive adult education programme dealing with elimination of poverty is irrelevant to urban issues. This paper argues that there is a more significant role for adult education in achieving the objectives of urban development than most realize. There is an urgent need for 'horizontal' integration of efforts within the adult education community and urban development planners. Such integration is needed to sensitize and empower the public in terms of their role in visioning, governance, and participatory economic decision-making such as 'participatory budgeting as practiced in countries such as Brazil, Uganda, and Kenya. It is important to note that the public education contemplated here is not a 'one-shot' approach as sometimes undertaken in a workshop, but rather a sustained interaction by adult education experts with the different publics in the urban areas. Furthermore, the contemplated 'horizontal' alliance may entail close working relationship with the many NGOs that deal with urban development and poverty issues.

v. Information Dissemination and Learning Networks

In several of my research papers, I have emphasized the need to accelerate the introduction of information technology into the education and public policy-making processes. The use of community newspapers, radio, extension bulletins, workshops, and seminars has been the popular dissemination vehicles in adult education in Ghana.

Structural changes in the ICT market point to a need for urban planners to explore the potential application of ICT to attacking urban poverty. For example, mobile phone subscribers rose from 7 per thousand populations in 2000 to 129 per thousand populations in 2005. The number of internet users rose from 2 per thousand households to 18 per thousand households during the same period. Demand for ICT services is likely to increase in the future since there are considerable improvements in service, for example, faults per thousand mainlines declined from 67.4 in 2000 to only 5.6 in 2005, while per minute price has declined from \$1.65 per three minutes in 2000 to \$0.39 per three minutes in 2005.

These promising trends should not blind one to the complex realities that must be addressed if ICT is to play a role in urban poverty alleviation. Since the poor is the focus of ICT use in adult education in the urban areas, the question of affordability raises its head. It could be that at this stage of the nation's development, the initial attention must be focused on ICT use for training trainers who eventually directly interact with the urban poor. My current study has shown that there are significant regional differences in the willingness of households and individuals to contribute to the supply of information via alternative media. Thus, there is the challenge to design urban ICT program planning, implementation, and financing policies that recognize the regional differences in the willingness and ability to pay (Kwapong, 2007b,d,j).

vi. Financing

A daunting task facing cities and municipalities is the ability to raise needed financial resources to finance the many projects and programmes - infrastructure development, slum upgrading, capacity building, information technology systems, etc needed to accommodate the poor and raise standards of living. Several financing options need to be explored.

a. Capital Markets

Capital markets such as the stock exchange seem to be natural and fertile source for attracting financing to support urban development projects. The problem is that as in the case of most of the stock exchanges in developing countries, the stock exchange in Ghana is a “thin market,” that is, low capitalization. One study put the total capitalization of the Ghana Stock Exchange at \$916 mn (12.1 per cent of GDP). One study concluded that, “a stock exchange must have \$50 billion in market capitalization and \$10 billion in value traded to attract any interest from global emerging market funds. Of the 15 African exchanges, only South Africa hits either metric.” Thus, there is a need for a more innovative approach if municipalities would be able to tap resources from the capital market. There is a precedent for such desired innovative approaches. The example set by members of the Ghana Cocoa, Coffee and Sheanut Farmers Association (GCCSFA) as a group (160,000 small investors under the GCCSFA umbrella) bought shares in Ashanti Goldfields, Ghana's largest gold mining concern in 1994 is well known. Also, an association of farmers collectively bought 20 per cent of the shares on offer in the Produce Buying Company, Ghana's largest domestic buyer of cocoa. Company employees themselves purchased another 5 percent, while the general public bought 4 percent (Irving, J. (2000).

b. Issuing Municipal Bonds

There has been discussion on sourcing funds to support municipal infrastructure development through the bond market. A Municipal Bond is “a promissory note issued by regional and local governmental units to repay lenders an amount of money borrowed, principal, along with interest according to a fixed schedule.” Dr. Jay Sa-Aadu, Professor of Finance, University of Iowa, USA made a presentation on this during a recent visit to Ghana. According to the expert, the economic conditions in Ghana –

economic growth, inflation, and budget – support the establishment of a revenue bonds market in Ghana. Specific revenue bonds included:

- Central Market Revenue Bonds;
- Water Supply Revenue Bonds;
- Public Power Revenue Bonds;
- Highway Revenue Bonds;
- Industrial Revenue Bonds;
- Resource Recovery Revenue Bonds – this is a conversion of refuse into commercially salable energy and recoverable products.

Professor Sa-Aadu's suggestions open the door for reflection and renewed effort to identify what fits the conditions in the municipalities in Ghana.

c. Improved tax collection system and targeted expenditure

The large informal sector in Ghana poses significant challenges in tax collection. It is also not exactly clear whether the better-off in society actually bear their fair share of the tax burden. The primary sources of revenue include land and plot rates, licenses, markets, and contributions from central government. Several donor partners also make monetary and non-monetary contributions to urban governments. It is recommended that a comprehensive study of sources of revenue be undertaken focusing primarily on the efficiency of tax collection. Improvements in tax collection must be accompanied by efficient expenditure approaches that are pro-poor. This may entail reductions in administrative overhead costs, including expenditure decision planning involving the poor.

Conclusion

This paper has attempted to point out some of the major institutional and economic issues that are needed to evolve pro-poor urban policies in Ghana. At the top of needed policy direction is political willingness and a genuine commitment to pro-poor policies. Such policy direction may be measured by the extent to which poor and vulnerable segments of the population in the urban areas are engaged in the process of visioning, planning, and implementing policies in support of urban development. It is also recommended that a horizontal integration between urban policy planners and adult education experts be explored as a means to deepen stakeholders' participation in poverty alleviation in the urban areas. Fortunately for Ghana, the Institute of Adult Education has an excellent history of economic and social education, and in working with the poor which must be explored fully.

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