

CHAPTER 8

Governance

Making Institutions Work for Rural Revitalization

KATRINA KOSEC AND DANIELLE RESNICK

Katrina Kosec and **Danielle Resnick** are senior research fellows in the Development Strategy and Governance Division, International Food Policy Research Institute, Washington, DC, USA.



KEY FINDINGS

- Three aspects of governance are critical for rural revitalization:
 - Appropriate and predictable laws and regulations—especially a legal framework to protect property rights and to create incentives to support business—are fundamental to economic growth and development.
 - Effective policy implementation and enforcement—which depend on the government having adequate technical skills, financial resources, and appropriate organizational structures—are essential to realize policy goals for rural areas.
 - Accountability—from frontline civil servants to elected politicians—is key to ensuring that governments respond to the needs of the poor. Competitive elections, access to information, and transparency help citizens hold their governments accountable.
- Devolution of governance to a subnational or local level can improve government responsiveness to local needs when responsibilities are matched with adequate funding and mechanisms to ensure government accountability.

- The information revolution offers new tools for improving governance for rural revitalization, from informing citizens to facilitating citizen policy inputs to monitoring implementation.

KEY RECOMMENDATIONS

- Establish an enabling and predictable regulatory environment to stimulate private sector investment and engagement for rural revitalization. Identifying enabling environments and types of business–government relations that catalyze investment is a first step.
- Build state capabilities and establish incentives for better service delivery, such as pay-for-performance and delivery units, to improve policy implementation at the national and subnational levels.
- Facilitate the information revolution to promote engagement of citizens with one another and with politicians and governments. Using information and communication technologies to support competitive elections, provide accurate information to citizens, and increase transparency is essential for rural prosperity.



Pursuing the many policy goals necessary for rural revitalization in developing countries—such as generating employment, connecting small towns and peri-urban areas with larger cities, attracting private investment, and providing public services—requires a deep understanding of the underlying governance landscape. Too often, ambitious, pro-poor policy reforms are stymied by entrenched political interests, poor intersectoral cooperation, and inadequate technical skills on the part of government bureaucrats. The centrality of governance for agricultural growth and food security was reaffirmed recently by a variety of major international donors and regional actors.¹ However, as interest grows in enhancing rural-urban linkages to both revitalize rural areas and add value to the food system and development process, the array of necessary policy interventions becomes more complex. Governance challenges too can become more pronounced, requiring coordination across multiple subnational actors and numerous ministries, including ministries of agriculture, urban development, environment, education, health, labor, and commerce.

How and why is good governance critical for efforts to revitalize rural areas? Given that the concept of governance has “many proprietors and many varieties of definition and explanation,” we focus on just three relevant components of this broader concept.² First, we examine the regulatory dimensions of governance—that is, the array of laws and rules that shape the enabling environment for attracting investments across the rural-urban spectrum and contribute to policy coherence. While rigid regulatory regimes can sometimes stifle innovation and deter productivity, they may also safeguard the rights of marginalized groups and provide needed environmental protections. Alternatively, weak or absent regulation can generate uncertainty for citizens and investors alike.

Second, since ambitious laws and regulations relevant to revitalizing rural areas are meaningless in the absence of implementation and enforcement, we also focus on state capabilities. These include the technical skills and financial resources of bureaucrats at all levels as well as the overall institutional structure of the bureaucracy—all of which ultimately determine how well governments prioritize and deliver services.

Finally, we turn to the interface between states and citizens, which is captured by the range and effectiveness of accountability mechanisms. Such mechanisms, which are increasingly diverse due to advances in information and communication technologies (ICT), not only allow for the monitoring and evaluation of government policies and investments, but can also help ensure that policies and expenditures genuinely respond to the needs of the poor. In discussing each of these three governance dimensions, we review how they affect rural revitalization and highlight novel approaches that some countries are using to strengthen these areas.

LEGAL AND REGULATORY REGIMES

Legal and regulatory regimes shape the decisionmaking environment for individuals, businesses, and the public sector. While many development outcomes are affected by factors beyond government control, laws and regulations are exclusively within the mandate of governments and therefore offer one of the most accessible entry points for generating reforms necessary for rural revitalization.

Property rights, for both physical assets and intellectual property, are well recognized as fundamental to growth and development. Effectively upholding these rights can also reduce conflict and polarization. Insecurity of land rights in particular, which can result in land disputes, illegal land evictions, and suboptimal investment decisions, impedes agricultural productivity, food security, and economic growth.³ In contrast, increasing tenure security boosts investments in land and farming technologies, thus contributing to greater food security.⁴ The importance of land tenure and rental laws, even for welfare and migration, is highlighted by natural experiments and policy analysis in a diverse set of countries. For example, in Kyrgyzstan, children in regions that initiated land privatization soon after the collapse of socialism grew taller than did children in later-privatizing regions, owing in part to higher household food production and consumption.⁵ In Ethiopia, migrants from rural areas are predominantly “pushed” from their homes rather than attracted by an urban “pull.” Youth who receive small or no land inheritances often migrate away from rural areas, but this “push”

factor is substantially muted where land rental markets are vibrant.⁶ Similar findings have emerged in India, where rental restrictions reduce productivity and equity.⁷ Together, these examples suggest that amending tenure and rental laws is one way to retain and attract youth to rural areas.

An enabling regulatory environment is also needed to promote agricultural productivity and encourage agro-industry, which is viewed as a critical means of generating rural jobs and stimulating economic transformation, especially in Africa.⁸ The creation of the Enabling the Business of Agriculture index by the World Bank has been an important step in providing a measurement of countries’ regulatory environments. This index assesses a country’s regulatory setting in eight domains necessary for agribusiness to thrive (seed, fertilizer, machinery, finance, markets, transport, water, and ICT) and allows for comparisons over time and across countries.⁹ By providing a transparent, comparable metric by which governments can gauge their performance, the index aims to spur lagging governments to pursue reforms needed to attract investment in agriculture and agribusiness. Foreign exchange, trade, and phytosanitary regulations are equally important, as they shape the incentives of private actors to invest in certain sectors and connect rural citizens to domestic and international markets.

In some cases, the private sector may be better equipped than the public sector to provide social and agricultural services—either alone or through public-private partnerships. A study covering 39 African countries over 25 years found that allowing private sector participation in the piped water sector significantly improved child health by lowering the rate of diarrheal diseases.¹⁰ Research from Argentina shows that the health benefits of water privatization are largest in the poorest areas, suggesting that the most disadvantaged people may enjoy the greatest benefits.¹¹ In Indonesia, outsourcing the delivery of targeted food transfers to the private sector reduced operating costs without sacrificing quality and, when there was sufficient competition among private firms, even lowered the prices citizens paid.¹² The benefits of collaboration with the private sector cannot be realized, however, without establishing legal provisions *ex ante* that allow for, and define the scope of, private sector involvement in national economies. For instance,

laws regarding taxation, labor, and land use can make investment attractive for private sector firms, encourage competition among firms to provide services, and protect citizens' rights where needed. And effective regulation of private firms can ensure that firms do not abuse workers or the environment and that citizens profit from their engagement.

While recognizing the importance of the legal and regulatory framework for creating an enabling environment for rural revitalization, two caveats are warranted. First, regulatory frameworks must be predictable; even more than the substance of regulation, frequent changes can undermine the ability of investors to plan and scale up operations—which tends to drive away investment. Second, frameworks should be revisited periodically to ensure compliance with best practices and compatibility with contemporary circumstances. For instance, as intellectual patents for pesticides have expired, the Sahel region has faced an influx of more than 100 varieties of herbicide. Weak and outdated regulations mean that many of these are counterfeit, resulting in reduced sales for legitimate private companies and increased presence of toxic chemicals in the food system.¹³ The nonfarm, informal food trade sector is another place where updated regulation is needed. Many countries still apply colonial-era anti-vending laws that penalize informal trade, thereby undermining the ability of microenterprises to expand, limiting social mobility, and reducing access to affordable food for the poor.¹⁴

REINVIGORATING STATE CAPABILITIES

Despite the fundamental need for clear laws and regulations, regulatory frameworks are only effective when properly implemented and enforced. Unfortunately, many well-intentioned policies are either not implemented as intended or at all. Along with insufficient political will, weak state capacity is frequently blamed for poor policy implementation in developing countries.¹⁵ Addressing such weaknesses requires going beyond traditional training courses for civil servants to instead identify faults in incentive structures for policy implementation that can result from problematic organizational structures, inadequate knowledge on the part of civil servants and decisionmakers alike, or limited financial resources.

Public sector organizational structures may be weak at multiple junctures. For example, “street-level” bureaucrats at the frontline of service delivery may exercise their own discretion in policy implementation, which may lead to outcomes on the ground that deviate from the original intentions of the policy.¹⁶ In some cases, this discretion facilitates corruption, and since bureaucrats are not elected, citizens cannot hold them accountable for improper policy implementation.¹⁷ Poorly adapted organizational structures are another source of weakness; developing country bureaucracies often practice “isomorphic mimicry,” meaning they follow the practices and adopt the administrative structures of developed countries, even if these are contextually inappropriate.¹⁸

INCENTIVIZING CIVIL SERVANTS

One means of overcoming deficiencies in organizational structures that limit rural revitalization is to incentivize civil servants, at all levels, to deliver relevant services. Pay-for-performance contracts and performance-based financing are common approaches to enhance delivery of social services and reduce corruption among frontline service providers, such as teachers and health workers. In the health sector, this approach has been introduced in more than 30 developing countries.¹⁹ A number of studies suggest that pay-for-performance can, under the right conditions, help to reduce corruption and absenteeism.²⁰ Other encouraging outcomes have also been documented. For example, in rural Uganda, a new incentive system that rewarded teachers for the individual improvements of each of their students increased student attendance rates and improved test scores for students in schools with books.²¹ Similarly, a recruitment experiment in Mexico found that civil service candidates were more likely to choose positions in poorer communities if they received higher wages.²²

Performance contracts, which commit bureaucrats to either delivering services or risking sanctions from their superiors, are a similarly compelling means of reorienting incentives, with implications for overall job security and public censure. One example is Rwanda's performance contract approach, known as *imihigo*. In precolonial days, the tradition of *imihigo* involved leaders vowing publicly to accomplish certain deeds or be

publicly shamed if they failed to deliver. The modern version aims to ensure that districts deliver services in alignment with national goals outlined in Rwanda's Vision 2020 and its economic development and poverty reduction strategy. Central agencies and district governments negotiate measurable targets around national priorities, such as building schools and marketplaces, paving roads, and electrifying villages. The districts are audited annually by a local policy research institute and assigned scores to indicate the share of activities completed.²³ The achievements of the *imihigo* system, by district and sector, are then made publicly available every year on the website of the prime minister's office. This system of performance contracts has been credited with guiding the impressive infrastructure investments throughout the country since the end of the genocide.²⁴

"Delivery units" integrate the concept of performance contracts but aim to improve intersectoral coordination, cultivate a service mentality, enhance timely information flows, and meet priority targets within a specified time. In concrete terms, delivery units consist of small teams of experts whose offices are usually located within the office of the chief executive (president, prime minister, or governor) or the finance ministry, and who coordinate activities across sectoral ministries. This ensures high-level political commitment to the delivery unit's work and provides it with access to decisionmakers at the ministerial level to help identify bottlenecks and facilitate information flows.²⁵ Typically, delivery units aim to translate agreed-upon sectoral goals into measurable targets and involve performance contracts between a president or prime minister and senior cabinet officials, who in turn have an incentive to ensure that their subordinates deliver. By creating metrics for successful service delivery that go beyond budgeted expenditures, and receiving frequent updates on these priority metrics, delivery units can address problems in real time, and experiential learning can occur among civil servants at multiple levels of government.

One well-known example is Malaysia's Performance Management and Delivery Unit, which is credited with improving rice paddy production by working in concert with the Ministry of Agriculture and agricultural extension workers to monitor farmers' cooperatives

and help them both to adopt good agricultural practices and participate in in-the-field problem solving.²⁶ This Malaysian unit has inspired similar models in other countries, including Ethiopia's Agricultural Transformation Agency, Tanzania's former Big Results Now, and South Africa's Operation Phasika.

STRENGTHENING CAPABILITIES AT THE LOCAL LEVEL

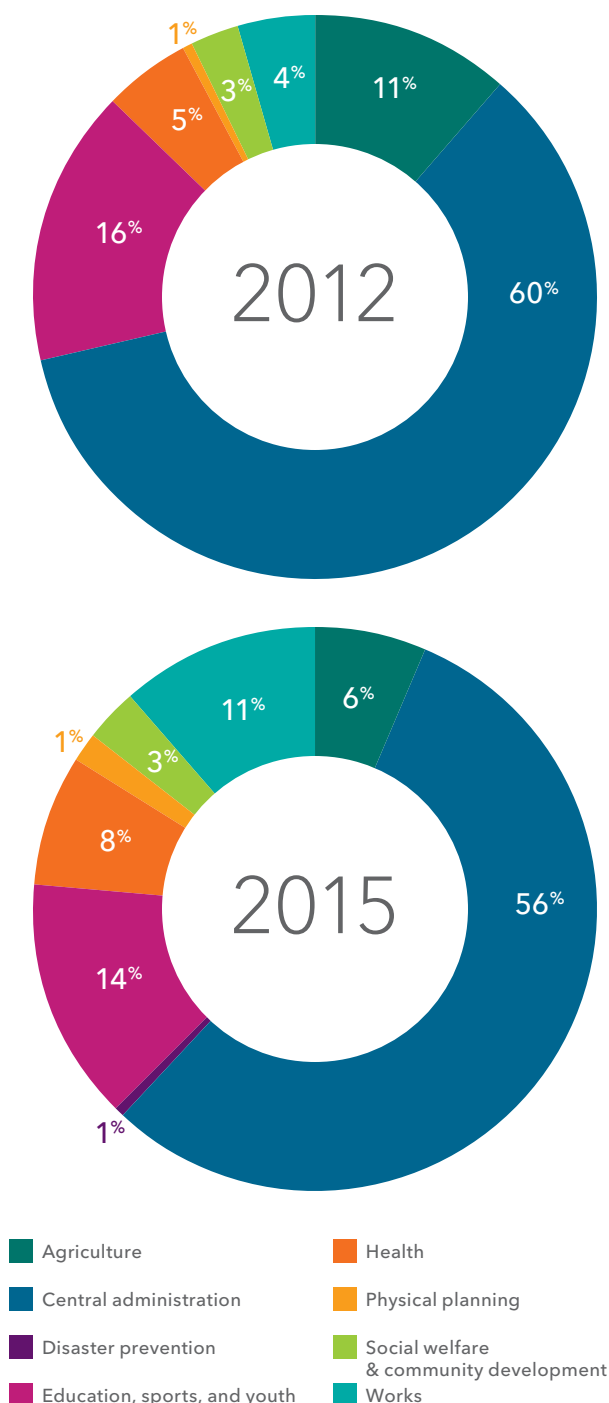
Some policies and services necessary for rural revitalization need to be implemented at the local level, especially in countries with more decentralized systems. Thus, strengthening subnational capabilities is equally important. Theoretically, decentralization is expected to improve service delivery by bringing decisions closer to the people who are most directly affected by them, and who can oversee them.²⁷ In turn, citizens may feel more empowered to participate in decisionmaking and communicate their demands at the local level rather than through national authorities, who may seem distant or anonymous.²⁸ Local governments can obtain better information about the services needed in their areas of jurisdiction and can be held accountable for their decisions by local voters.

Although evidence to support these claims is mixed, a number of countries have recently pursued the most comprehensive form of decentralization, known as devolution, which involves ceding functions and authority in certain sectors to locally elected officials.²⁹ Agriculture is one of the most commonly devolved sectors, and the trend toward devolving governance in agriculture has often coincided with major constitutional reforms. For instance, in Pakistan, an amendment to the constitution passed in 2010 stipulated that 17 ministries, including food and agriculture, be devolved to four provinces, resulting in the dissolution of the federal Ministry of Agriculture. In 2010, Kenya's new constitution embraced devolution, and agriculture became the responsibility of the 47 newly created counties. In 2015, Nepal passed a new constitution and transitioned to federalism; agricultural and livestock development are now predominantly provincial powers. In 2014, Zambia initiated the first of a three-phase devolution exercise, resulting in the transfer of responsibility for extension services from the Ministry of Agriculture and Livestock to the country's approximately 110 districts.

However, in these and other countries, the legal transfer of responsibilities for agriculture is not matched by sufficient fiscal decentralization; continuing dependence on the transfer of funds from the central government undermines the autonomy of local policymakers. Where such transfers have been reduced and taxes remain meager, devolution cannot improve service provision as intended. For example, in Ghana, analysis of district budgets over time indicates that total average agricultural expenditures at the subnational level decreased from 11 to 6 percent of spending between the onset of devolution in 2012 and 2015. District governments could no longer rely entirely on the national Ministry of Food and Agriculture for financing, but lacked sufficient tax revenues to make up the difference (Figure 1). Adding to this problem, locally elected politicians tend to allocate budgets to visible public goods that win votes, such as schools and health clinics, rather than to agricultural extension services; this has had negative impacts on the provision of extension services and on government staff morale.³⁰ The case of Nigeria similarly illustrates the problem of a mismatch between responsibilities and funding; while local governments often have superior agricultural technical expertise, national-level actors play a greater role in determining how the budget for agriculture is allocated—often resulting in suboptimal public investments.³¹

These dynamics reinforce the importance of domestic revenue mobilization to sustain rural service provision and support local government autonomy. Of course, incomes in rural areas tend to be lower than in urban areas, contributing to sharp inequalities in revenue streams and service provision and creating a major barrier to the sustainability of any revitalization efforts. Solutions are being developed. In Tanzania, for example, the use of a mobile money system that allows smallholders to pay taxes on their agricultural produce is currently being piloted to see if it can both provide much-needed resources to local government authorities in rural areas and increase efficiency in tax collection.³² Other developing countries, including Rwanda and Zambia, are shifting to electronic tax-payment systems for the same purpose.

FIGURE 1 Change in average sectoral distribution of expenditures across metropolitan, municipal, and district assemblies in Ghana



Source: D. Resnick, *The Devolution Revolution: Implications for Agricultural Service Delivery in Ghana*, IFPRI Discussion Paper 1714 (Washington, DC: IFPRI, 2018).

ACCOUNTABILITY TO RURAL CITIZENS

While some of the mechanisms for enhancing state capabilities increase upward accountability from civil servants to their ministerial superiors, mechanisms of downward accountability that allow rural citizens to sanction or reward governments for their performance are equally critical. Downward accountability can facilitate information flows to governments, helping ensure that policies and public investments reflect citizens' real needs and preferences. Among the many mechanisms of downward accountability, we focus here on two key mechanisms: (1) competitive elections and (2) enhanced information and transparency through, among other things, innovations in ICT that have brought about the "information revolution" of the last two decades.

ENSURING COMPETITIVE ELECTIONS

There are many reasons to believe that more competitive elections as well as greater transparency on the part of governments can produce superior public goods and governance.³³ When politicians face a credible threat from opposition parties, they are more inclined to deliver for citizens; otherwise, they risk being voted out of office. Further, when the pool of political candidates grows, it becomes easier for citizens to identify and elect politicians who share their preferences and are likely to represent their interests. Government transparency can help reinforce this electoral accountability mechanism; when citizens are better informed about government mandates, actions, and their consequences, they are in a better position to differentiate good from bad policies and politicians, and thus select politicians who will best serve them. Empirically, this should mean that increases in competition and in transparency improve the quality of governance and public goods provision.

Indeed, evidence from rural settings suggests that more competitive elections contribute to policies and outcomes that benefit rural residents. For instance, the expansion of competitive elections has been associated with higher expenditures on primary education, which is a high policy priority for rural citizens, and with reduced distortionary taxes on rural producers.³⁴ In Africa, after government disengagement in rural areas in the wake of structural adjustment in the 1980s, growth in electoral accountability in the 2000s resulted in improved

agricultural policies, including better-targeted input subsidies that rely on e-payment systems and more streamlined beneficiary lists.³⁵ These impacts on spending patterns and targeting appear to translate into improved outcomes for citizens. For example, electoral competition in rural areas has been associated with the consumption of more nutrient-dense calories by the poor as well as with increased access to a broad range of amenities and public infrastructure—from improved roads to electricity.³⁶ Indeed, rural land values per acre and even the prevalence of land rental are higher when political competition is strong.³⁷

But political competition is not a panacea that guarantees rural revitalization. Several studies show that political competition can motivate incumbent leaders to create more subnational administrative units, such as districts or provinces, in an attempt to win rural votes and to gain more legislative seats.³⁸ Yet with already weak revenue bases and inadequately trained bureaucrats, such subdivisions do not necessarily improve service provision for rural citizens.³⁹ Further, in emerging democracies with low levels of transparency, higher levels of political competition can even lead to worse provision of rural public goods. In such settings, political competition may make it harder for politicians to work together and reach agreements about which goods to supply, where, and how—thus reducing the supply of publicly provided goods.⁴⁰ In these environments, policies that increase government transparency, such as making budgets and outlays widely available to the public, and rules that impede partisan redistricting can help ensure that political competition has positive consequences for rural citizens.

HARNESSING THE INFORMATION REVOLUTION

In rural areas, education levels are typically lower than in urban areas, and citizens often have only limited information about the mandates and actions of government. Policymakers often use such information asymmetries to their advantage—and to the detriment of rural citizens' welfare, particularly the welfare of the poorest and least informed.⁴¹ At the same time, the poorest citizens are often the most dependent on government services—such as public education, healthcare, and agricultural extension services—as they cannot afford to buy these services from the private sector. A failure of

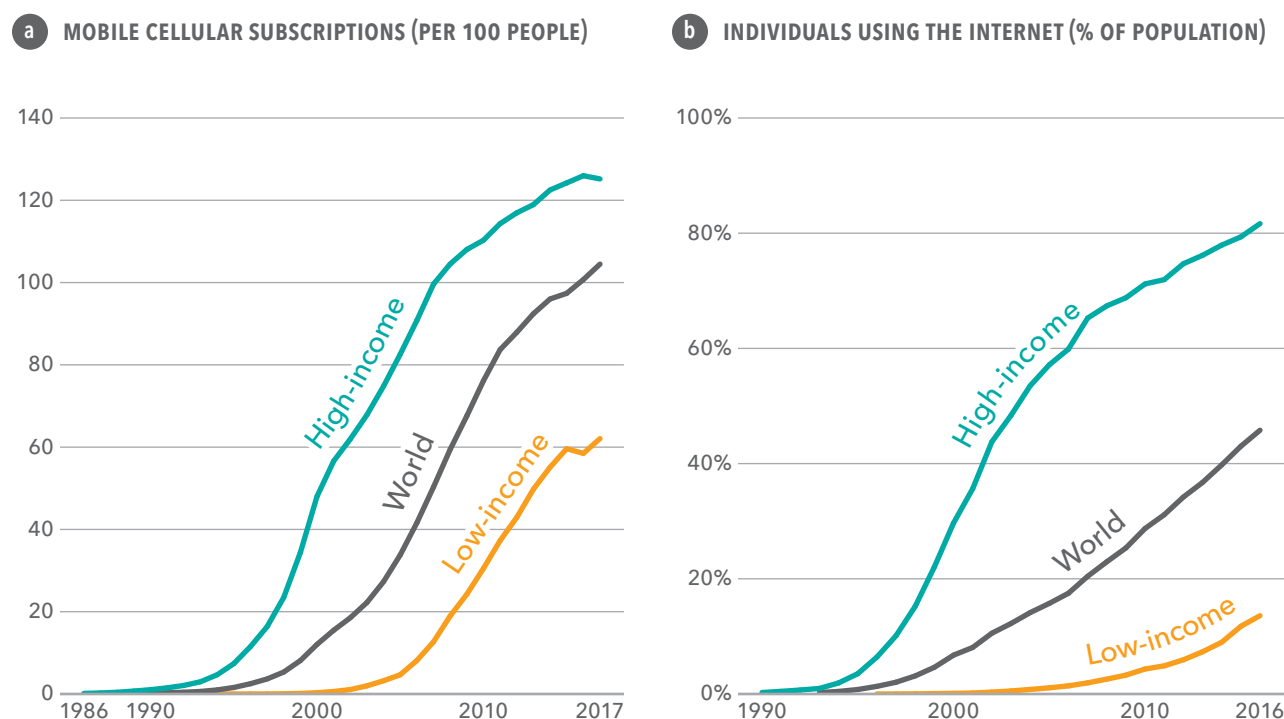
governmental accountability is therefore likely to harm the poorest citizens most.⁴² One possible solution is increasing the information available to the rural poor, thus empowering them to demand accountability.

The task of enhancing transparency is simplified by recent technological innovations and their increased availability to the poor. For example, global mobile phone subscriptions exceeded one per person for the first time in 2016, reflecting a rapid climb over the last 20 years (Figure 2a). This is an important development given that mobile phones have myriad uses, from accessing commodity prices and weather reports to receiving information from the government and contacting politicians. Access to the Internet is similarly on the rise (Figure 2b), offering yet another means of engaging both economically and politically.⁴³ These trends hold in low-income countries much as they do globally. Indeed, the rate at which high-income countries are adding new Internet users began to slow in the last five years, but the rate in low-income countries accelerated—offering a valuable opportunity for poor countries to catch up.

Just as improving the information available to producers and consumers in the marketplace leads to welfare improvements for both, access to accurate information about what is happening in their country is equally important for empowering rural citizens to make choices about their local and national government and to keep policymakers accountable and responsive.⁴⁴ For example, informed voters with access to news media and information about their governments' performance tend to push policymakers to be more responsive to their needs.⁴⁵ Innovative tools for disseminating information include one developed by Twaweza, an East African organization, which provides objective data and analysis on government performance using crowdsourced data from mobile phones, and BudgIT, which tracks federal and state-level budgets and expenditures in Nigeria and makes them publicly accessible.

For governments, too, information can be vital for improving the performance of lower-tier governments, bureaucrats, and frontline service providers. For example, an informed central government can benchmark lower-tier government policymakers against

FIGURE 2 Access to technology over time, by country income group



Source: World Bank, World Development Indicators, 2017, <https://data.worldbank.org/data-catalog/world-development-indicators>.

one another and reward or sanction them based on their relative performance, thus inducing them to exert greater effort.⁴⁶ And service providers in many settings are now being required to share their GPS coordinates, take digital photographs, or record videos—with beneficial impacts on their performance.⁴⁷ Governments also often use technology to communicate with citizens directly, which has the potential to reduce information asymmetries.⁴⁸ Increased access to information thus has the potential for far-reaching impacts on governance in rural areas.

But information alone is not enough. For information to have real impact, recipients must believe it is useful and relevant, and they must have both the power and incentives to act on it.⁴⁹ Governments can either help bring this constellation about (for example, by setting up a website or e-governance initiatives, subsidizing access to communication technologies, encouraging citizen dialogue, or otherwise involving citizens in decisionmaking), or they can block the impact of information (for example, by engaging in vote-buying to prevent informed voters from holding policymakers to account).⁵⁰ The media, grassroots civic organizations, nongovernmental organizations, and development practitioners can all play a critical role in helping ensure that information achieves its potential for improving government accountability.

IMPROVING GOVERNANCE

Revitalizing rural areas requires that we acknowledge the unique policy complexity of rural settings. Strategies to revitalize rural areas will necessarily be multifaceted, and the specific governance requirements to ensure the success of such strategies will certainly vary across countries and levels of government. Yet as this chapter emphasizes, broadly speaking, strong regulatory regimes, state capabilities, and accountability mechanisms will always provide an important and complementary foundation for tackling poverty, facilitating growth, ensuring high-quality service delivery, and generating jobs. Four broad policy recommendations and tools for improved governance have emerged here:

- Establishing an enabling and predictable regulatory environment is likely to stimulate private sector investment and engagement for rural revitalization. Therefore, it is critical to identify when and why

such environments do not exist and ways to better align incentives accordingly. This may require a deeper understanding of the types of relationships between the state and business that have formed over time and why some of these relationships catalyze investment while others do not.

- Building state capabilities is a long-term process, but a number of modalities can encourage bureaucrats to improve service delivery. Performance contracts and delivery units are two possibilities that have now been piloted in dozens of countries and have shown some effectiveness in improving policy implementation at the sectoral and subnational levels—when there is high-level commitment from national ministries, presidents, and prime ministers.
- The recent explosion of access to ICTs provides tremendous new opportunities for citizens, politicians, and bureaucrats at all levels to engage with one another. Given the multiplicity of information sources available, it will be imperative not only to improve access to such innovations but also to ensure that the information they provide is accurate and easy to interpret, especially where education levels are low.
- Rural revitalization involves linkages with secondary towns and cities. However, the rural-urban territorial continuum spans distinct administrative units led by local governments that may have unique development plans, objectives, and constituencies. Establishing intergovernmental coordinating units that facilitate information-sharing across levels of government would be one mechanism to ensure that priorities and resources are aligned in a strategic way to improve desired outcomes, such as better transport connectivity and decent employment.

When considering these and other relevant policy options, it bears emphasizing that while many useful models are available for strengthening governance, from electronic tax payments to digital photographs, there are no quick fixes. This is especially so when there is an overarching lack of political commitment to genuine reform due to ideological resistance, interest group pressures, financial constraints, or all of these. However, recognizing these constraints and identifying their sources is a critical first step toward developing viable and sustainable policy options for rural revitalization.

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