Achieving Sustainable Poverty Reduction and Rural Development in Nigeria through Local Economic Development Strategies

Iwala Oladapo Sam *

Department of Agricultural Technology, Rufus Giwa Polytechnic, P.M.B, Owo, Ondo State, Nigeria
*Corresponding author: daposoniwala@yahoo.com

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Abstract All around the world, local governments, the private sector and even the civil society are exploring better ways to achieve poverty reduction and rural development through local economic development strategies, the cornerstone of sustainable national development. This is sequel to the fact that local governments, particularly in Nigeria face increased challenges of poor qualitative leadership, financial indiscipline, almost absolute reliance on allocation from the federated account / low internally generated revenues, pervasive poverty, income inequality, long-term ethnic conflict and civil unrest, political instability and corruption among others. Meanwhile, massive transformations are taking place in the global economy resulting from trade liberalization, privatization and enhanced telecommunications. The significance of this paradox to Nigeria is that citizens and local governments now face formidable challenges, greater opportunity and growing responsibility to work together to address the dehumanizing socio-economic conditions of their local citizens, most of whom are under employed or outrightly unemployed and living in absolute poverty. This paper postulates local economic development strategies, a participating process in which local people from all sectors work together to help create decent jobs and improve the quality of life for everyone, including the poor and marginalized as the most potent tool for achieving sustainable poverty reduction and rural transformation in Nigeria.

Keywords: poverty reduction, rural development, local economic development, sustainable development


1. Introduction

Although the menace of ravaging poverty and poor condition of rural development is not peculiar to Nigeria and indeed, the developing nations, the incidences have however, been more profound in this part of the world compared to other regions. World Bank observed over two decades ago, that poverty in the developing countries is on the rise and this has not significantly abated up to date especially in Nigeria [26]. In fact, millions of people across the country endure lives of abject poverty.

According to the World Bank new provisional estimates, the proportion of people in developing world living on less than $1.25 a day was 20.6 per cent in 2010 down from 43.1 per cent in 1990 and 52.2 per cent in 1981 [27]. Globally, 1.25 million in 2010 as against 1.908 million in 1990 were living on less than $1.25 a day. The internationally line of $1.25 a day is the average of the national poverty lines in the poorest 10-20 countries. Despite often reported high economic growth rates over the years, about 75 per cent of Nigerians still leave below this line and out of which over 80 per cent are rurally based.

2. The Concept of Poverty

The concept of poverty has received the attention of stakeholders in various disciplines especially during the last two decades. But because of its complexity and multidimensional nature, it has been difficult to have a universally acceptable definition of poverty. However, the economic concept seems to have dominated the literature on poverty in Nigeria. Poverty has been defined as the inability of an individual or a family to command sufficient resources to satisfy basic needs. The economic concept seems to have dominated the literature on poverty in Nigeria. Poverty has been defined as the inability of an individual or a family to command sufficient resources to satisfy basic needs. This definition has been used for constructing poverty line values of income or consumption required to purchase the minimum standard of nutrition and other necessities of life [20].

In the literature, the mostly affected by poverty have been identified as young children, pregnant mothers, the elderly, rural dwellers, marginal urban zones as well as those who have been integrated into the society [22]. Those mostly affected by extreme poverty are those who are most vulnerable and lack resources along with those who do not have the capacity to organize themselves nor to exercise the right to protest their situation.
3. Poverty Incidence in Nigeria

Poverty in Nigeria remains significant despite high economic growth it first-started witnessing during the British Empire. Nigeria has one of the world’s highest economic growth rates (averaging 7.4% over the last decade), a well developed economy and preponderance of natural resources such as oil, solid minerals, fertile land and fertile minds; however, it retains a high level of poverty, with 63 per cent living on below not even the international line of $1.25, but $1 per day essentially due to income inequality [28]. Thus, while few are stupendously rich, multitude still wallow in abject poverty and are enduring dehumanizing living conditions. Poverty in Nigeria is reported to be mainly a rural phenomenon, more pronounced in the northern part of the country with few chronic cases in the riverine and Southern areas. The most vulnerable include small farmers, rural dwellers in the urban informal sector, female headed households, widows and single mothers, the elderly and children. The poor live in areas served by bad roads or inaccessible roads; hence invariably they lack access to productive inputs as well as output markets. Three main reasons have been identified for persistent poverty, poor conditions of infrastructure and lack of local economic development in Nigeria.

3.1. Income Inequality

Income inequality worsened from 0.43 to 0.49 between 2004 and 2009. This is correlated with differential access to infrastructure and amenities. In particular, there are more rural poor than urban poor. This results from the composition of Nigeria’s economy, especially the energy (oil) and agricultural sectors. Oil contributes significantly to government revenues and about 15% of GDP, despite employing only a fraction of the population. Agriculture however, contributes to about 45% of GDP, and employs close to 90% of the rural population.

This incongruence is compounded by the fact that oil revenue is poorly distributed among the population with higher government spending in urban areas than rurally. High unemployment rates render personal incomes even more divergent. Moreover, the process of oil extraction has resulted in significant pollution, which further harms the agric sector.

3.2. Long Term Ethnic Conflict and Civil Unrest

Nigeria has historically experienced much ethnic conflict. With the return of civilian rule in 1999, militants from religious and ethnic groups have become markedly more violent. While this unrest has its roots in poverty and economic competition, its economic and human damages further escalate the problems of poverty. For instance, ethnic unrest and the displeasure of local communities with oil companies has contributed to the conflict over oil trade in the Niger Delta, which threatens the productivity of oil trade. The terrorist activities of Boko Haram elements in the northern parts of the country lately have further exacerbated the poverty problems in the area as both human and economic resources are wantonly destroyed. Civil unrest might also have contributed to the adoption of populist policy measures, for instance, declaration of emergency rules which work in the short run but impede poverty alleviation efforts in the long run.

3.3. Political Instability and Corruption

Nigeria’s large population and historic ethnic instability has led to the adoption of a federal government. The resultant fiscal decentralization provides Nigeria’s state and local government’s considerable autonomy including control over 50% of government revenues, as well as responsibility for providing public services. The lack of stringent regulatory and monitoring system however, has allowed for rampant corruption. This hindered past poverty alleviation efforts, and will continue to do so, since resources which could pay for public goods or directed towards investment (and so create employment and other opportunities for citizens) are being misappropriated. Other reasons include:

1. Lack of qualitative leadership.
2. Lack of serious commitment to poverty alleviation and rural development as typified by often very low capital budget allocation to agricultural and rural development.
3. Lack of systematic and coordinated implementation of programmes resulting in duplication and dilution of efforts.
4. Lack of community empowerment.
5. Near absolute reliance on allocation from federated accounts.

Failure to draw people into the design and implementation of development programmes the increasing high level of poverty in developing countries has serious implications on the world economy. Hence, reducing poverty, rural transformation and promoting local economic development in developing countries has become the most persistent challenge facing the world today.

4. The Concept of Rural Development

Among sociologists, rural refers to areas with low population density, small size, relatively isolation, where the major economic activity is found in agricultural occupations and where the people are relatively homogenous in their values, attitudes and behavior [5].

Rural development is the far – reaching transformation of the social and economic structures, institutions, relationships and processes in any rural area. It conceives as not simply as agricultural and economic growth in the narrow sense but as well as balanced social and economic development, with emphasis on the equitable distribution as well as the creation of benefits [5]. Among the goals are equitable access to arable land, more equitable distribution of income, widespread empowerment in health, nutrition and housing, greatly broadened opportunities for all individuals to realize their full potentials through education and strong voice for all rural people in shaping the decisions and actions that affect their lives [8].

There may not be a single paradigm suitable for all – purpose and the nations for sustainable rural development. Each nation must therefore have to look inward to design appropriate strategy on the basis of its peculiarities and development antecedents within the framework of any
chosen strategy, utmost consideration must be given to people’s empowerment among others [19].

There have been attempts by successive regimes in Nigeria at poverty reduction and rural development, the approaches have usually been determined by the interpretation given to rural development by the different regimes or interventionists. Notable among these programmes are:

*1972 National Accelerated Food Production Programme and the Nigeria Agricultural and Cooperative Bank.

*1976 Operation Feed the Nation: to teach the rural farmers how to use modern farming tools.

*1979 Green Revolution Programme: to reduce food importation and increase local food production.

*1986 Directorate of Food, Roads and Rural Infrastructure (DFRRI).


*2001 National Poverty Eradication Programme (NAPEP) to replace the previously failed Poverty Alleviation Programme.


Equally, there have been numerous of such programmes at the state and local government levels. These include: Accelerated Poverty Alleviation Programme, School to Land Programmes, Integrated Community Development Project, State Economic Empowerment and Development Strategy (SEEDs) and Local Economic Empowerment and Development Strategy (LEEDs) etc. Regrettably however, none of these programmes have been able to significantly reduce poverty in Nigeria as most of them lack in depth foresight and systematic frameworks for implementation.

5. Local Economic Development (LED)

The task of international development efforts for decades has been; how to eradicate poverty, empower people economically, improve health care, provide educational opportunities and sustain local communities around the world. The purpose of local economic development is to build up economic capacity of a local area to improve its economic future and the quality of life of all [6]. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation.

Local economic development offers local government, the private and not-for profit sectors and local communities the opportunity to work together to improve the local economy. It focuses on enhancing competitiveness, increasing sustainable growth and ensuring that growth is inclusive. Local economic development encompasses a range of disciplines including physical planning, economics and marketing. It also incorporates many local government and private sector functions including environmental planning, business development, infrastructure provisions, real estate development and finance.

Local economic development is seen as one of the most important ways of decreasing poverty and rural transformation. LED must aim to create jobs by making the local economy grow. This means that more business and factories should be started at the local government areas. Key stakeholders in a local government must come together to reach agreement and take decisions to make the economy grow and create income opportunities for more people, especially the poor.

6. Local Economic Development Principles

The basic principles underlying LED are [10]:

1. Poverty and unemployment are the main challenges facing developing countries. LED strategies must therefore, prioritize job creation and poverty alleviation.

2. LED must target previously disadvantaged people, marginalized communities and geographical regions, to allow them to participate fully in the economic life of the country.

3. LED promotes local ownership, community involvement, local leadership and joint decision making.

4. LED uses local resources and maximizes opportunities for development.

5. LED involves the integration of diverse economic initiatives in an all-inclusive approach to local development.

6. LED is participatory in approach. It involves the inclusion of different stakeholders so that their views, concerns and issues can be included in the planning process.

7. Local Economic Development Strategies

According to the International Labour Organization (ILO), national and local governments, as well as enterprises and other organizations have to rethink development strategies to cope with on-going events especially globalization [16]. In contrast to traditional development strategies, LED strategies promote local dialogue and enable people to become proactive; help to make local institutions better contribute to development; make economic activity dependent on the comparative advantages of a specific territory, generating development by firms more capable to withstand changes in the global economic environment rather than top-down development paradigm imposed by national economic planners.

Economic development activities in developing countries generally tend to be uni-disciplinary, initiated and implemented by just one ministry or agency. An advantage of LED strategies is that they facilitate a multidisciplinary approach.

Local economic development is about communities continually improving their investment climate and business enabling environment to enhance their competitiveness, retain jobs and improve incomes. Local communities respond to their LED needs in many ways
and the following are some key strategies that a local government can put in place to meet its goals of sustainable poverty reduction and rural transformation.

1. Ensuring that the local investment climate is functional for local businesses.
2. Supporting small and medium size enterprises.
3. Encouraging the formation of new enterprises.
4. Attracting external investment (nationally and internationally).
5. Investing in physical (hard) infrastructure such as houses, transport, roads, water, electricity etc.
6. Investing in soft infrastructure (education and work force development, institutional support systems and regulatory issues).
7. Supporting the growth of a particular cluster of business.
8. Targeting particular parts of the city for regeneration or growth (areas based initiatives).
9. Supporting informal and newly emerging businesses.
10. Targeting certain disadvantaged or vulnerable groups.
11. Promoting tourism by developing local tourist, sites and facilities, improving security and ensuring that all residents are welcoming of tourists.
12. Marketing the LGA, its infrastructure and people to local and international businesses. This can be combined with service centres that provide assistance and information to business that wants to start operations in the LGA.

8. Issues in Local Economic Development

For local economic development strategies to be effective in the alleviation of poverty and transformation of rural communities, the following issues must be painstakingly addressed.

8.1. Good Governance and LED

Institutional capacity in management and administration and the role of politics in development, is often captured under the heading of “governance”. Governance is not government. It is a concept that recognizes power both inside and outside the formal authority and institutions of government. Governance is the ability to coordinate and promote policies, projects and programmes that credibly represent a broad range of interests (e.g. government, the private sector and civil society). Public involvement, or participatory institutional development, transparency of decision-making procedures, interest representation, conflict resolution, limits of authority and leadership accountability are all issues of governance. Good governance provides a foundation for citizens to use their talents to improve their social and economic conditions. It should enable men and women to access the benefits of citizenship [14].

8.2. Business Enabling Environment

Good governance under pines LED. One critical link between the concepts of good governance and LED is the need to establish a business enabling environment. Although democratic systems offer the best chance for successful LED, the power of self-government derived through democratic means does not guarantee success. The foundation of success is capable institutions at the local level. Recent research suggests that strong and appropriate institutions are necessary and that they should pursue four concepts in LED [7].

First, support for institutions and strategies should combine governance with culture. Having cultural foundations for institutions means that the local government is less likely to be a source of conflict and a vehicle for personal gain. In addition, local government is more likely to gain respect, legitimacy and acceptance from local citizens.

Second, clear decision rules and procedures are needed in government, such as effective business codes and land use zones that promote long term plans rather than politically expedient, short term decisions. Lack of a clear and stable economic “playing field” and lack of skilled managers can, at best, undermine efficiency, productivity and effective resource utilization. At worst, it can lead to corruption, draining the local government of funds for individual political ends, and lead to the use of local government positions for personal advantage.

Third, the political environment must be safe. Poor or corrupt economic policies and weak government systems can negatively affect local economic development by raising risks and increasing production costs. For example, risks and production costs are affected when investment opportunities and key government posts are given to unqualified friends and relatives of the political party in power; when bribes are extorted from businessmen/contractors and entrepreneurs; holding them hostage to politicians; and when tax rates or regulations are uncertain and change with each new administration.

The local government should establish a political environment in which investors and businesses feel secure. Fourth, enabling environments should have a high ease of business entry and efficient regulation-enforcement [21]. Researchers found that countries with heavy regulation and weak enforcement have higher rates of corruption, a larger informal economy, are less democratic and are more likely to be poor. Enabling environments are achieved by simplifying bureaucratic procedures, creating regulatory certainty, pursuing broadly supported actions, encouraging local business networks and supporting training so that skilled workers are available to meet market demands. Lastly, enabling environments integrate that vast informal economy where potential is often untapped, or even undermined.

Simply put, for communities to be successful socially and economically, the cost of doing business should not be higher than it needs to be, production should be as efficient as it can be and quality should be equal to or better than what customers find elsewhere [12].

9. LED, Competitive Advantage and Cooperation

The world is a competitive place. Therefore, understanding a local area’s competitive advantage is very important. Competitive advantage is the condition that enables a local area to operate relatively more efficiently and effectively, resulting in benefits accruing to that local area. Although competition promotes efficiency and
innovation, excessive competition for investment might cause all parties to lose and might further disadvantage already marginalized groups [24].

At the local level, current global trends suggests that the long term sustainability of local economics, and sometimes their short term economic survival, depends on cooperating in this competitive world. To avoid some of the damaging side effects of competition, local areas might want to work through forums or by developing regional strategies that strengthen local production of all local areas, helping to insulate them from unnecessary competition.

10. Local Economic Development and Poverty Reduction

There is an emerging consensus that LED is critical to poverty reduction, but it cannot bring about effective change without explicit poverty alleviation strategies. At the strategic level, experience have shown that economic initiative for poverty reduction are most effective and sustainable when they are also incorporated into a broader economic development strategy [16]. Pro-poor strategies alone may not lead to the development (i.e. structural change) required to fundamentally alter the situation of the poor. These strategies have been criticized as being “survivalist” and caught in the endless cycle of crisis management. Best practice suggests that ensuring inclusive and participatory economic development, which provides for both broad local economic gains and poverty reduction, is paramount to achieving a requisite balance in economic development [10].

A central challenge from LED perspective, therefore, is ensuring that those who have traditionally been left out have access to opportunities, that the marginalized poor are invited to actively participate in shaping their local economy and, above all, that they have (or get the support to create) the organizational capacity to participate effectively.

Economic benefits have a good chance of reaching the poor simply by having explicit LED objectives that focus on poorer households and the informal economy. On the substantive side, with micro, small and medium sized businesses typically generating most of the job growth worldwide, some of the greatest progress in poverty reduction at the local level has been in this area. For instance, the Department of Investment and Trade in the Philippines claims that the SME sector is the backbone of the Philippine economy. It comprises about 99.6% of all registered firms nationwide, employs 69.9% of the labour force, and contributes 32% to the economy [9].

11. Children / Youth and Local Economic Development

The Children – in – Agriculture Programme (CIAP) classified children to include all categories of people with ages ranging from birth to 18 years of age. The categories are early childhood (0 – 5 years), childhood (6 – 12 years) and adolescence (13 – 18 years). This is in agreement with the United Nations Convention on the right of the child. The International Labour Organization (ILO) estimates that more than 250 million children work worldwide. Although not often recognized for their economic impact, they form a significant part of the workforce in Nigeria.

On the other hand, the definition of the term youth embraces people between ages 19 and 40 years. CIAP took cognizance of the circumstances of poverty, unemployment and deprivations that are prevalent in Nigeria and some other developing countries which make some people to still depend on others for survival, protection and development up to the ages of 40 years. This reality is without prejudice to the definition by the Food and Agriculture Organization (FAO) of the United Nations for statistical purposes classified young men and women between the ages of 14 and 24 years [2].

A crucial factor in LED is the establishment and strengthening of children and youth programmes. Through effective nurturing and mobilization, youth and children constitute a potent force. This is because they have a number of characteristics which when well nurtured and utilized are invaluable assets to sustainable development. The characteristics include [1]: innovation proneness; minimal risk aversion; faster reaction time; less fears of failure; less conservatism; greater strength; greater knowledge acquisition propensity; greater social propensity; faster rate of learning; and faster relationship building.

According to the United Nations, the number of youth aged between 15-24 years is expected to reach 2 billion by 2015, with 1.7 billion of them living in developing countries. In addition, the youth make up 41 per cent of the worlds unemployed. These two facts suggest that, with the future at stake, youth offer some of the greatest opportunities for finding solutions, while posing a significant challenge to local economic development [15].

Youth, like women and other marginalized groups, are particularly vulnerable to shocks in the labour market, layoffs, restructuring and insufficient opportunities. Patterns set at an early stage carry over in future years and on to future generations. With, urban violence, HIV transmission and a growing participation of youth in militancy and terrorism, investing in youth has stabilizing societal benefits and yields returns far beyond narrow economic reforms. A strategic LED must take deliberate cognizance of the children and youth to galvanize their positive but often latent values for economic developments.

12. Women and Local Economic Development

Recent findings indicate that Nigerian women constitute 49.6 per cent of the total population and are found to be responsible for 60 – 80 per cent of the food produced in the country in addition to the traditional reproductive and community management roles. Nigerian women have also been found to contribute 60 percent of the labour force, produce 80 per cent of food, earn 10 per cent of the money income but own 1 per cent of the farm assets [18].

Women do not receive equitable opportunities or decision – making privileges as man. They equally encounter more difficulty than men in gaining access to
land, credit, technical services and commercial market outlets [3]. 

Despite this obvious neglect of women’s position and contributions to the rural sector, they have remained the fillers of the nation’s food basket and dominate the management of domestic and household affairs. There is now a global recognition of the benefits of involving women in the planning and execution of programmes of change and development. Therefore, a focus on women as a deliberate LED strategy can provide significant benefits to the local economy and more importantly, to the general social fabric of the community. Research has demonstrated that women are more likely than men to spend earnings on the well-being of their children and families (e.g., food, education clothing) [17].

LED strategies can also help address the results of recent research that indicate women are more vulnerable to exploitation, sexual or otherwise, in the workplace; that women often lack self-confidence, which can hold them back from higher paying jobs or business expansion, and that women lack adequate access to financing, education and skills training [27]. Therefore, LED strategies that take into account women’s needs and ensure that women are included in the stakeholders’ process have a higher chance of significantly contributing to poverty alleviation and rural development.

13. Conclusion / Recommendation

Embracing local economic development strategies which focus on the local issues through interaction among the spectrum of local communities, local businesses, government, labour, NGOs and the poor, Nigeria and indeed other developing countries can achieve more coordinated and efficient economic growth and development that could significantly and sustainably reduce poverty and fast-track rural development. The paper therefore recommends that such strategies must have as components:

1. Political will from local government.
2. Commitment from all key stakeholders.
3. Inclusion of the informal economy.
4. Use of strategic thinking policies.
5. Evaluate strategy options.
6. Integrate network and link.
7. Incorporate accountability and transparency from all managers and partners.
8. Incorporate culture to gain legitimacy.
9. Respect and acceptance of legitimate authority.
10. Get visible results and use demonstration projects.
11. Understand markets (local, regional, global).
12. Think about quality, not simply the quantity of economic expansion.
13. Invest in infrastructure (soft as well as hard).
14. Leverage private investment for public good.
15. Establish clear decision, rules and procedures.
16. Encourage ease of business entry and efficient regulation enforcement.
17. Add value to local products.
18. Encourage local business enterprise development.
19. Attract compatible new businesses.

References


