Rural Towns as Partners in the Utilization of Financial Credit:

A Viable Option for Accelerated Development in Africa

by Napoleon Bamfo

ABSTRACT: One option of development that governments in Africa can pursue but which does not appear to have crossed their minds, is encouraging towns, represented as incorporated units, to borrow financial credit. There are several reasons why this appears to be a viable option of development. No government has the financial capacity to address the social and developmental needs of every town under its jurisdiction. A government that encourages or makes it easy for individual towns to utilize credit available from financial institutions, therefore, will be opening a hitherto underutilized component of development in the form of local savings and entrepreneurship in addressing the particular needs of communities. That the constant demands of several communities on government for developmental assistance will be substantially mitigated will also be complemented by the fact that the simultaneous engagement of several towns in myriad development projects may be the most cost-effective way of accelerating economic development. This paper examines a developmental option that could potentially relieve poverty in Africa by examining the feasibility of
Although rural communities and townships have been the backbone of economic activity in many nations, governments have rarely compensated them for their efforts. Thus, rural dwellers the world over continue to suffer lower standards of living than their urban counterparts. In most nations, whether developed or developing, government policies tend to be so pro-urban that the gap in living standards between urban and rural dwellers continues to widen. Nadler (1992) in the Bankers Monthly made an observation about the future of economic development that could be as applicable to rural communities in Africa as to the towns in the United States he was addressing. He suggested that one specific goal banks must promote to achieve economic recovery, was a “sympathetic attitude toward financing operations that can help American towns and generate jobs.” This article examines how governments in Africa can redirect the nature of development in rural areas by making financial credit available to small and medium towns in their capacities as incorporated entities. This is an attempt to look at economic change from below by tapping into reservoirs of resources that have persistently been overlooked by governments and policy makers, generally preoccupied with the promotion of policies that tend to perpetuate the centralization of political and economic power. The incorporation of towns so as to enable them to undertake major economic and social roles will be an important step to reversing this anomaly of development in most African countries. The legal protection that incorporation could provide towns would make it possible for these hitherto neglected rural communities to be effectively drafted into the mainstream of national development. They

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making townships the primary recipients of financial credit and offers a look at the problems that might be associated with pursuing that policy.

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would be able to undertake bold economic ventures without the risk of individual private assets and community property being liquidated in case of indebtedness. For real sustained economic development to occur in these rural communities, devoting resources to education and training, and discovering latent talent, may be equally as important as making financial credit available.

The rapid urbanization that took place in Africa the past four decades was primarily due to development strategies that emphasized urban growth at the expense of agricultural and rural development (Heyer, 1996). Today, as in the past, African governments have been lukewarm in factoring in the potential contribution individual towns can make in their plans of accelerated social and economic development that they have laid out for their countries. Governments have been uninterested in welcoming towns as partners in their much-publicized efforts to stop deteriorating living conditions in rural areas. However, as reservoirs of untapped financial resources in the form of personal cash and savings, and human resources in the form of intimate knowledge of local economic and social conditions, towns are better positioned than any other governmental entity in bringing about rapid social and economic change.

Although governments have not expressly prohibited towns from borrowing commercial credit for their own development, they have neither encouraged rural towns to borrow commercial credit nor promised to provide security for their investments that go awry. The irony, however, is that most countries in Africa are heavily dependent on the resources produced in rural areas for domestic consumption and foreign exchange. Nnwana (1998) has acknowledged that unless governments change this outmoded strategy of development, the accelerated pace for which they have been hoping may never materialize.
The future development of African countries will depend in part on the success or failures in nurturing, supporting, and developing rural areas and the rural economy, particularly in making more financial services available to rural sector inhabitants. (Nadler, 1992)

With their untapped reservoir of loanable funds and special expertise on local administrative matters, rural communities are ascribed with attributes for development that no other entity in a country possesses. Consequently, central governments must support towns financially and logistically to enable them to play a more meaningful role in the developmental process. The task of inducing social and economic change in rural communities, which African governments have found extremely frustrating so far, could be eased considerably if towns were given ample opportunity to undertake aggressive programs on their own. Unquestionably, the generation of jobs and a rise in incomes of rural folks would result from the active participation of towns in economic and social development. More important, designing and implementing projects on their own are likely to bring a sense of accomplishment and independence that could be an uplifting experience for some of these communities that have been depressed for so long. The successful execution of a project in one town is bound to motivate citizens in adjacent towns to emulate that example and and even to surpass the efforts of the first town by venturing into more ambitious projects. Sooner than later, towns across the length and breadth of country would be abuzz with economic and social activity. On the contrary, continued usurpation of political power and economic decision-making at the center will only perpetuate the stifling of local entrepreneurship, creativity, and independence.

If governments encouraged towns to borrow credit from financial markets, which could be invested in projects chosen by the towns themselves, it might become a cost-effective method of eradicating rural poverty. Since small and medium towns in Africa generally are unfamiliar with
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handling large amounts of money, they may need encouragement from central governments to take this seemingly bold venture of applying for commercial credit. It is important, therefore, to examine the current economic and social situation of rural areas in Africa and the incoherent policies governments have pursued in the past to eradicate deteriorating economic conditions from the rural areas.

The State of African Economies

Compared to other countries in the world, many countries in Africa have consistently been ranked at the bottom of indicators of economic well-being. It appears reasonable, therefore, that if African countries want to achieve levels of economic development comparable to countries in other parts of the world, governments will have to find more pragmatic approaches of development that will lift their countries from grinding poverty. These uneven levels of development among different regions of the world has been troubling to the World Bank. In its 1998 report, the Bank found it ironic that poverty and suffering persisted in several parts of the world despite the free flow of trade and capital that has integrated the global economy in the past few decades (World Bank, 1998).

One reason for Africa’s slow pace of growth is that the majority of the population, particularly those living in rural areas, have not benefited from economic growth. Traditional practices in agriculture, nutrition, and personal hygiene, as well as unequal treatment of the sexes, especially the underutilization of the full potential of women, constitute formidable setbacks to development. If these obstacles were to be overcome, immediate action would be required in harnessing the untapped reservoir of manpower and financial resources that continue to lie fallow in remote rural communities. Several small communities in Africa have retained their resiliency from the traditional linkages they have maintained with each other through the clan, chief-
tancy, migration, and marriage. Consequently, encouraging towns to help themselves by making cheap financial credit available to them could be a cost-effective strategy that governments could pursue in overcoming the seemingly inextricable trap of underdevelopment in which most of these communities have been caught.

The State of Towns

Despite the widespread nature of poverty in Africa, it is more prevalent in the rural than urban areas. In Africa, regional and sectoral distortions in the patterns of development are common (Hope, 1998). According to Lipton, this persistently unequal nature of development between rural and urban areas is due to the “urban bias,” which has pushed resources away from activities that benefit the rural poor and toward those that benefit urban areas. These pro-urban policies that governments have pursued over the years have caused long-term damage to rural communities through a disproportionate loss of the young, the educated, and the enterprising in rural areas, have stifled innovation (Gugler, 1988). The length and breadth of Africa, like other continents, is littered with towns. The populations of towns, their size, forms of government, and the human and material resources with which they are endowed vary considerably. Consequently, the criteria that may determine towns’ eligibility for credit also vary. The “optimum-sized” town, which this article uses, is one that, given its size and resources, is capable of providing sufficient collateral for credit and possesses the requisite human resources to embark on useful, economic, profit-yielding activities. The optimum-sized towns, therefore, would include the thousands of towns, excluding large metropolises, scattered across Africa. Large metropolises are excluded from consideration of credit because they usually have a larger tax base and might already be engaged in activities or services that generate revenue. Moreover, the heterogeneity of their population usually
undermines the commitment citizens have for communal programs. On the other hand, the unique characteristic of small and medium-sized towns is the relative homogeneity of their population. This, in the past, has helped to create a common identity among citizens. Any attempt to redirect the role of towns and improve living standards by changing their economic orientation must proceed with an understanding of their prevailing values: Who has power, who has influence, what is the ranking system, and who commands respect? As unsophisticated as towns may seem from the outside, their populations generally contain powerful persons who often provide strong leadership within the community. Teachers, religious leaders, traditional midwives, nurses, local merchants, and youth groups have always been active and proved their capability in channeling people’s energies toward useful community activities. For example, in China’s Shandong Province, the concept of village conglomerates (VCs) has emerged since the early 1980s as a vehicle for economic and social development. The pooling of community resources through the formation of cooperatives has led to the formation of elites and the first generation of Chinese peasant entrepreneurs in this remote rural region (Cheng, 1998).

With the exception of extractive industries such as mining of gold, copper, and diamonds that are located at their source, large industries, in the sense of power-driven machinery employing several thousand people, are a rare sight in rural areas. In most parts of Africa, the evidence of scarcity and depravation is so widespread that the only available option to governments interested in reversing this trend is the abandonment of past policies that have not worked. In light of the paucity of resources and governments’ fear that a myriad of projects springing out of rural communities with little or no control from the political center would eventually saddle them with debt, governments have taken the more con-
venient route of discouraging towns from engaging in innovative programs of development.

It is possible to stem the tide of the rapidly deteriorating living conditions in Africa’s rural communities by diverting reasonable sums of capital from the political center to support small- and medium-sized projects in those areas. Historically, rural populations generally have had minimal contacts with banks and other financial institutions. This, coupled with the discriminatory lending practices of banks, has reduced the availability of development capital to rural communities and these communities’ ability to undertake large-scale economic projects. Even when credit has been available, farmers, artisans, and small business owners who apply for it have not usually met the high eligibility standards (Santonu, 1997). Even in the United States where banking and financial institutions are highly developed, financial credit has not always been available to people in rural areas because of inaccessibility to banks and unavailability of collateral (Drabenshtott & Meeker, 1997). Consequently, economic activities in rural areas hardly grow beyond family members and friends, and involve activities that hardly extend beyond small farms and retail trade. Moreover, townships, which appear to be potentially ideal users of bank credit, have never been considered eligible. Nearly 40 years after many nations have attained independence, life in the average rural township in Africa, like that in other parts of the world, is a continual struggle, and there is little hope of conditions improving.

Pootschi’s (1986) description of a typical village in India could very well have applied to any average town in Africa:

A typical village may look more like, if not worse than, a city slum. In this village environment the sight of dunghills, manure heaps, garbage pits, and pools of dirty, stinking and stagnant water affronts the eye. The orientation of houses, buildings, shops, dwelling places are often haphazard. There are no provisions for the sanitary disposal of water, sewage, or refuse.
Obviously, whatever policies have been pursued in the past have failed to improve the lives of people. The defining characteristics, such as the authority structure, ethnic composition, and the prevailing economic activity within a particular town, are crucial in any plan of development. How different ethnic groups relate to each other, for example, may give important clues as to how a particular town can marshal its human and material resources. That, in turn, may determine the town’s eligibility for credit and the extent to which its people can work to achieve common economic objectives. Any town may consider itself eligible for credit if, considering its size and resources, it feels capable of providing sufficient collateral and marshaling its human and material resources to embark on useful, profit-yielding economic activities. The picture one gets driving through the rural backwaters of African nations is a continent that is dominated by clusters of medium and large-sized towns. Inside these towns are a plethora of economic activities such as subsistence farming, primitive husbandry, and locally made art and handicrafts.

**Policy Options**

**Targeted Assistance to Towns**

In order to reverse the declining living standards of towns by enhancing their growth prospects, African governments must embark on a comprehensive program that will encourage towns to fully exploit their resources. This approach could be an aggressive, albeit noncoercive, intervention aimed at gaining the goodwill and active cooperation of rural populations whose role in their own development has been peripheral. Market intervention, broadly applied, is one of the strategies economists have proposed for addressing the problem of unequal income distribution and allocative inefficiency (Sabot, 1988). An intervention of this nature, by which the government seeks to provide assistance to a tar-
geted group, has been tried in other parts of the world. The high-speed economic growth that occurred in post-WWII Japan, for example, has been attributable to a type of investment strategy that allowed the government to coordinate its credit policy with private, financial institutions to help industrialists. In the United States, Congress has passed legislation that has allowed small rural banks to consolidate and increase their assets to make it easier to provide loans to farmers. In Africa, the structural adjustment programs (SAPs) that governments adopted in the 1980s were designed to make significant changes to the national economic structure. In the late 1980s, the government of Uganda introduced the “rural farmers scheme,” which was aimed at boosting agricultural output by lending small sums of money to farmers, mainly women. Most of these loans were in the form of inputs such as hoes, wheelbarrows, or machetes. However, the most popular program any postindependent African government has undertaken to incorporate indigenous communities into the modern economy was in Tanzania. Under the policy of Ujamaa Vijijini, which Julius Nyerere, the first president, promoted, there was an attempt to “mobilize traditional communal values to serve modern developmental objectives. The policy envisaged the creation of producer cooperatives within a village community, in which people will live and work together for the good of all.”

**Incorporation**

Before towns can be entrusted with the management of large amounts of financial credit, it may be appropriate to encourage them to incorporate. Although nothing would prevent an unincorporated town from contracting commercial credit, becoming incorporated, protects the citizens of that town, particularly local leaders, from losing their personal wealth and property in case the town defaults on its loan payment. The governments of Africa, it seems, have learned few lessons from developed
nations such as the United States and Germany whose constituent states have not hindered their cities and municipalities from becoming incorporated. Incorporation allows cities and towns the choice of transacting business and entering into contracts as legal entities for the city’s own benefit and that of its residents. In most developing nations, however, that concept never seems to have entered the lexicon of development planning, because governments have never contemplated granting towns the option of incorporation. Neither have residents of towns, themselves, pressed for that dispensation.

Government officials in Africa make no apologies for not laying the legal framework for towns to incorporate. Neither do they make apologies for not considering towns, legally represented, as appropriate entities to actively engage in economic activities. An example of this occurred in the mid-1980s when the so-called mining towns were completely left out in the sale of mining companies located in their own communities. Towns were not encouraged to purchase block shares of those companies that had been extracting minerals from their soil for several generations. Moreover, the well-publicized policy of economic liberalization, which among other things, involved the sale of public enterprises and loosening up of tight monetary control to credit expansion, was not extended to towns.

Credit Availability

The policy of making towns credit recipients could be made of a deliberate national plan designed to steer the local economy in a particular direction. According to Rajderkar (1998), economic development in India, a quintessential developing country, can occur only if individual communities themselves show a strong will to progress in addition to the efforts and determination of the government to bring about progress through the utilization of productive resources. The World Bank has
advised governments of developing countries to redirect their developmental effort and credit to the small-scale entrepreneur, and not only to big investors. According to the World Bank, policies that promote agricultural growth though credit availability to rural farmers are the most important means of reducing underemployment in low income countries (1979). Not considering towns as investment opportunities for all these years probably explains why numerous attempts by African governments to mobilize domestic and international resources for development have failed. Without a concrete strategy to address imbalances in the national economy, the unregulated credit market will continue pursuing their age-old policy of discriminating against towns.

The establishment of rural banks that specialize in providing credit to farmers and small businesses has been one of the strategies governments the world over have used to address the imbalance between rural and urban areas. The Grameen Bank in Bangladesh, for example, has tailored its lending to meet the needs of farmers and small-scale investors, particularly poor rural women. However, even in nations that have promoted rural banking for several years, age-old prejudices against “unsophisticated” rural clients have not entirely disappeared. Several Indian farmers who applied for loans in the 1970s, for example, had their collateral consistently undervalued, resulting in the payment of higher rates of interest. The hope of African governments to overcome rural economic deterioration may be enhanced greatly through a fresh policy that would seek the partnership of towns, preferably as incorporated units, into mainstream financial markets.

However, according to a World Bank report, rural financial institutions in several nations have operated at a loss because they have been burdened with low collection rates, have been too heavily dependent on subsidies, and have lacked innovative management. The World Bank has warned governments against the unbridled expansion of programs and
services without first considering their capability for continued funding and efficient administration. The Bank’s report has revealed how states’ inability, particularly those of sub-Saharan Africa, to perform their basic functions has resulted in loss of their institutional capability and legitimacy. Obviously, policy recommendations that stress conflicting strategies—one calling for planned intervention, and the other admonishing caution—are likely to put governments in a quandary. No matter how powerfully designed a strategy intended to help towns may be, there are bound to be features of the local environment that can aid, hinder, or frustrate completely the program’s achievements.

**Modalities for Providing Credit**

**Political leadership for incorporation**

A model of township empowerment and recognition must be comprehensive enough to be applicable to most towns in Africa; any plan of development must make room for differentiation because of the varying economic, political, and social conditions that exist in African countries. Any policy that seeks to bring townships to participate in commercial ventures through access to finance capital must begin with recognition of townships’ existence as legal entities. This is to reassure lending institutions that the entities with which they are doing business are fully pledged to honor all obligations into which they might enter. Townships, as legal entities that can sue and be sued, would be held solely responsible for any bad investments they make, and the central government would be relieved of the nightmare of having to arrange financial bailouts for those towns that have made bad investment decisions. Incorporation that would permit them to represent themselves as legal entities can be an important first step to achieving that objective. Opening the legal gateway for towns to become incorporated would
require legislative action that would set the parameters that would define their new legal existence. Establishing the legal parameters of incorporation is a responsibility that must be handled by the central government of individual nations. However, the steps must be established in such a way that any towns that apply for incorporation and meet the established criteria must be approved. The criteria for incorporation may include population, the prevailing economic activities in the locality, administrative capacities, the absence of extreme factionalism, and the recent activities and projects in which towns have been involved.

In several countries in Africa, the decision to embark on a capital project is made in a town meeting or by an authoritative body like a town development committee, with the citizens’ input about the proposed projects. The town meeting would decide the project’s size and the mode of financing. This, typically, will be from a special per capita tax levied on citizens and from voluntary contributions. Private philanthropists have occasionally made donations of property and money to local schools, churches, and health centers, and to other nonprofit organizations. Unfortunately, because of the infrequency of such donations, any town that is hoping to satisfy its needs for essential projects through philanthropic donations might wait forever. After purchases of materials for the project, work on it will begin. Skilled technicians comprising bricklayers, masons, carpenters, and electricians, who usually provide their services free of charge, perform the work on a project. A day of the week is usually set aside for communal work in which citizens are required to provide their technical skill or manual labor toward the community’s project. Individuals who do not honor this directive and shirk communal work without reasonable excuse are usually summoned to appear before a magistrate’s court.
Loan Processing

The processing of a town’s application for credit must be subjected to strict scrutiny, similar to what banks require of private business enterprises. On their part, the credit institutions must evaluate each request for credit on a case-by-case basis, as they would any private business enterprise. The activity or the types of activities for which the credit would be used, as well as oversight mechanisms to prevent abuse, must all be laid out. In determining the amount of credit to disburse, the financial institutions may also consider the other tangential issues such as population, membership, and activities of the town’s development committee, as well as future possible changes to the local economy. However, the amount of the financial credit applied for, and the projects for which it is intended, must be exclusive decisions for individual townships to make. The processes involved in making those decisions may vary from one township to the other and also among countries. The amount of a loan applied for, and the economic activity to be undertaken, must be carefully evaluated. In addition, the rate of interest and terms of payment must be carefully laid out.

The only deviation banks may have to allow is the provision of a collateral security. Small and medium towns have never engaged in business activities and may lack tangible collateral in the form of buildings, physical assets, or any form of liquid assets. Rather, the types of collateral towns may provide are those with which bank officials may not be familiar. A few fortunate towns may have expensive jewelry in the form of gold or diamond trinkets in the custody of the local chief or deeds to “stool land” that may be laden with minerals. Mining towns in Ghana, as those of other African countries, may be paid annual royalties by the companies that do business on their land. Projected revenues may be used as collateral. The fact that towns, including those that generate sub-
stansial amounts of revenue, have been unable to improve their eco-
nomic outlook is symptomatic of rural poverty. Regrettably, this could be 
perpetuated from sheer disinclination of the population to pursue inno-
vative economic and investment ventures.

Credit Obligations

For townsfolk, the benefits associated with incorporation may be far eas-
er to understand than the intricate legal obligations that come with it. 
The entire township, representing itself, would be required to make 
monthly capital and interest amortization on the credit borrowed until 
the entire debt is liquidated. For rural populations living on subsistence 
economy, this could be a frightening proposition, even if the activity 
involved generates a steady stream of income. Another imminent hurdle 
townships will have to overcome is setting up an efficient financial 
arrangement to ensure proper accounting of all monies disbursed and 
the day-to-day operation of the project. Unlike the larger municipalities, 
towns in Africa lack administrative experience because of the absence of 
projects to manage. The closest experience in management they have 
had is overseeing small projects which town development committees 
have provided on ad hoc basis. The experience of town development 
committees and the collective wisdom of residents will be needed in 
planning and executing projects and activities that might be considered. 
The depth of hidden expertise and the spirit of philanthropy individual 
members of towns possess are often underestimated. However, when 
called into action, the smartest brains of an average town, comprising 
teachers, nurses, civil servants, retirees, and professionals who may be 
living outside the town, may be able to handle the most daunting tasks 
involved in financial and project planning.
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The Model

Sources of Finance

Although the idea of making financial credit available for people living in rural communities to set up small-scale enterprises is not a new policy, one that recognizes townships as recipients of credit has never before been tried. A broad-based, market-oriented growth strategy that makes efficient use of rural labor and encourages community self-help can be effective for eradicating rural poverty. Central governments must devise a master plan that would involve commercial banks, as well as rural and development banks opening up, by making credit available to small and medium-sized towns. The plan may encourage credit-granting institutions to break their own age-long taboo of not dealing with institutions they consider to not have an identifiable form. The arrangement in Tennessee (U.S.), in which both the federal government and the state combined to provide assistance programs in helping towns that were too poor to pay for sewer projects, is the type of partnership African governments can emulate. Tennessee has provided sewer-project loans at very low interest to towns but has not offered grants. The federal government, through the U.S. Department of Agriculture, on the other hand, has provided grants up to 75% of a project’s cost. Both the low interest loans and the grants have made it possible for towns to provide affordable sewer services for their residents (Ball, 1997).

With so many African governments unable to balance their budgets and with their financial systems experiencing extraordinary inflationary pressures, satisfying the credit demands of the long list of towns which apply for credit, even with the participation of commercial banks, might be nearly impossible to achieve. Governments may find it prudent, in the early stages, at least, to complement their effort with external assistance in the form of bilateral aid, as they have done in the past for large capi-
tal projects. External aid received toward the implementation of this policy would relieve governments of the decision of cutting other domestic programs. It would also minimize the possibility of governments adding an extra debt burden to their economies. The World Bank and the IMF have participated in similar projects intended to accelerate development in several developing nations. Consequently, they can provide invaluable help not only in program design but also in providing central governments hard cash. In the mid-1980s, the IMF provided highly concessional financial support under its Enhanced Structural Adjustment Facility for several developing nations. In furtherance of this objective, in 1996, the United Nations, the World Bank, and the IMF announced a US$25 billion joint program to strengthen African societies with broad programs of education, food production, and other areas over the next decade by redirecting private investment. External assistance must however not displace government initiative and support.

Investment Areas

There are wide-ranging sets of activities in which towns can engage; they include health, education, sanitation, and small manufacturing plants. Some of these activities require large overhead costs in capital, and some have potential for yielding high financial rewards. The type and scale of activities that are chosen must be the town development committees’ decision to make, subject to the final approval of the financial institution. The supply of good drinking water is one of the economic ventures having high revenue potential. An examination of the great potentialities of water as an opportunity for investment illustrates how a carefully selected project could have an infinite number of possibilities.

Providing clean drinking water is one activity townships can undertake without expending too much investment capital. Providing clean, pipe-
borne water has, hitherto, been the exclusive responsibility of governments, often with financial assistance from international agencies. This is attributable to the high cost of equipment necessary for the project, involving the laying of steel or polyurethane pipes, heavy-duty pumping machines, and reservoirs. An exclusive government monopoly over the supply of clean water has resulted in only a small fraction of the population in several African nations being served, and the prospects of the pace of supply increasing are not encouraging. At the International Conference on Water for Peace held in Washington, D.C., in 1967, Zandi, a water resource specialist, warned that in most developing countries, the ancient wells, ponds, cisterns, and a few river development projects could not provide enough water anymore. Consequently, he called for a comprehensive development of water resources including the training of water resources specialists. Over the years, people in small towns in many developing countries have relied on unsafe water from streams, wells, rainfall, ponds, and rivers. In monetary terms, it costs little or nothing to get water from the aforementioned sources; however, the process of getting water, in alternative terms, is inordinately expensive. Obtaining water requires several thousand man-hours per individual every year. Moreover, because water from these sources contains so many impurities, water-borne diseases are rampant in many places in Africa.

If townships were encouraged to assume the responsibility of providing their own clean water, they could lower the scale and cost of water projects through low-cost investments in wells. Strategically placed, roofed, and fitted with rollers and spouts, wells may serve a more utilitarian purpose than public faucets connected by a network of pipes, sprinkled here and there to serve the entire town. Any additional costs that townsfolk want to incur by building reservoirs or providing proper drainage is their decision to make. This approach, which allows citizens to make their own decisions about capital expenditures with little or no input from
government bureaucrats, would not only reduce the cost of providing those services but would also reduce the time it takes to provide them.

Some potentially high revenue-generating activities that have thus far been underutilized include festivals, conventions, and tourist spots such as shrines, palaces, and castles. If towns would sell themselves to tourists, both domestic and foreign, they could generate considerable revenues. Tourism, in several African nations, is still in the early stages of development, and governments have not yet recognized it as a revenue-generating activity. Towns, therefore, need to do a lot more to promote themselves and their culture. A little planning is all that is required to advertise upcoming events in the community to the rest of the country and to set up a visitors’ bureau to advertise local products such as artifacts and food. The brochures that the towns can provide to visitors and temporary stalls built as shelters for hawkers could attract small fees.

Costing

Probably the most difficult task facing any township in investment decisions is setting the price for the service provided. Charging a unit price for each service consumed, such as a bucket of water fetched or a toilet facility used, might be the quickest way to generate revenue. It will also minimize wastage by ensuring economy of use. However, it might require a higher administrative cost in providing that particular service since full-time or part-time officials would have to be employed to collect the payments. The alternative of charging a fee for every unit consumed is by levying a flat fee per household, collectible at the end of the month or at the end of the quarter. If compliance is high, it will help lower the service’s overhead cost.
Problems

Any plans for development in rural communities, no matter how well conceived and designed, are bound to encounter a host of obstacles. Geographically, most towns in Africa are located far from urbanized areas. This makes them closer to the past and to tradition, and usually less influenced by modernization, than large urban centers. There is a higher concentration of semieducated and low-skilled people in towns than in urban areas. Localized conflict and disagreements are based on clans, and family disagreements are prevalent. Moreover, the absence of opportunity and continued deprivation can make rural populations apathetic to accept change and overcoming social taboos about work and the use of resources.

A host of other national and local obstacles may stand in the way of integrating towns into mainstream economic and investment activity. The main political obstacle is acceptance by the ruling class of the primacy of towns in the developmental process. If initial acceptance of this principle by the political leadership is lacking, towns themselves will have a harder time moving beyond the small projects they have customarily initiated. Apart from political insensitivity, a program of this nature may also fail because of local populations that are too apathetic to accept change. Some communities are so riddled by internal factions and conflicts that their people cannot work together, creating an attitude of hopelessness and despair. Towns with large segments of transient or ethnically diverse populations may experience considerable difficulty generating interest in all their residents to invest their time and resources in projects situated in areas where they may have little emotional and ancestral attachment. Problems of geography such as erratic rainfall, poor soil that is susceptible to erosion and drought, and endemic diseases may work to the detri-
ment of some localities in using all of its human and material resources to the fullest. Some remote areas in Africa that have an abundant supply of food and raw materials have been unable to improve their standard of living because of lack of access to more profitable markets. In addition, a paucity of people with clerical, accounting, marketing, and managerial skills has remained a perennial obstacle in earlier attempts by governments to transform rural areas. Consequently, politicians, policy makers, and business entrepreneurs, some of whom were born in rural communities, have hesitated to invest in ventures in small towns because of the factors enumerated above. Nevertheless, numerous opportunities exist for towns to initiate projects that involve the cultivation of land. In nations where there is an abundance of cultivatable land, any improvement in capitalization promises to yield high returns. The crops grown could be for export or the domestic market. An aggregation of these efforts from several towns is bound to make a tremendous impact on the general standards of living.

Conclusion

A policy that seeks to draw towns in Africa into the economic mainstream must be considered important. It will help to mobilize and channel the untapped resources of rural populations into areas that can be expected to make the greatest contribution toward the improvement of people's lives. However, the strategy will never be pursued without strong promotion and support from the political leadership. In the past, when special projects received strong political support, they generally succeeded (McKinley, 1996).

Central governments putting forth a detailed statement of national economic goals and objectives in the form of specific development plans can have a tremendous psychological impact. It can rally the people behind the government in a national campaign to eliminate poverty.
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Support of the national government implies providing adequate funding when it is needed, committing the best administrators to oversee the program, and encouraging financial institutions to participate in credit-lending activities. Without a certain degree of aggressiveness and commitment from government officials, apathy from town residents and opposition from traditional bank clientele could undermine the program’s effectiveness. The political leadership must also convince lawmakers about the beneficial impact a policy that gets townships actively involved in business would have on the living standards of people.

Governments can adopt the basic charter of incorporation from nations that have considerable experience in it, such as Canada and the United States. Leaders must also focus their attention to bringing flexibility in the lending practices of commercial banks and rural banks so that they would be sensitive to the particular problems towns, as business entities, would represent. There is little doubt that if a radical policy is not adopted, rural communities in Africa will continue to have second-rate services. These include dilapidated school buildings, ill-equipped hospitals, crumbling bridges, pot-holed roads, unhygienic water and inefficient sewage disposal facilities, as well as the crumbling infrastructure that has made rural living a continual struggle. The spirit of communalism and ingenuity that exists in townships in rural Africa remains, thus far, an untapped resource ready to be harnessed for development, and likely to change the standard of living of rural communities.

References


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