

FURTHERING THE LOCAL ECONOMIC DEVELOPMENT AGENDA IN AFRICA¹

This briefing is part of a series of briefings produced occasionally by Khanya-aicdd in partnership with a range of organisations committed to furthering the LED agenda in South Africa.

Abstract

LED is multi-dimensional and is aligned to meet local competitive advantages and challenges.. Growing consensus reveals that LED is both a product and a process. The product is a strategy, with identified programmes and projects. Some process elements include institutional arrangements, budgeting and planning for LED, managing relationships and partnership.. The key principles guiding LED are that it is a strategically planned process which requires strong participation and ownership by public, private and civil actors. This briefing looks at global trends in LED policy making and practice and reviews the guiding principles of LED that are generally agreed by both policy-makers and practitioners and how they apply in Africa.

The United Cities and Local Governments of Africa (UCLG-A) LED agenda is articulated and its position within the broader UCLG-A effort. It outlines emerging international trends in LED policy making and practice from high income countries, South Africa and from the West and Central Africa ECOLOC LED programme. An important trend is the increasing need for legislative frameworks to enable sub-national economic development. South Africa, for example, recently launched its LED policy framework aligned to improving the LED process in South Africa.

The final section suggests, as a basis for discussion, some priority tasks needed to further the LED agenda in Africa. It is intended to broaden the understanding and the debate, on LED and develops some ideas around how this could be achieved. The recommendations were formally adopted at the Africities conference in Nairobi, September 2006 and are being taken forward by a number of donors and LED competency centres under the auspices of UCLG-A. South African experience in LED will be crucial to implementing these LED resolutions.

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¹ A draft discussion paper presented by the Municipal development Partnership at Africities 2006



Introduction – LED definitions and guiding principles



Local economic development is a strategically planned, locally driven partnership approach to enabling employment growth, poverty reduction and quality of life gains through improved local economic governance.

Swiss Agency for Development and Cooperation

[LED] is a territorial concept and approach, which is based on the principles of synergy and partnership between local stakeholders, operating within localities. Through LED local people work together with the support and facilitation of the local state and other external stakeholders to achieve sustainable economic growth and development that brings an improved quality of life for all.

Policy Guidelines for Implementing LED. Department of Provincial and Local Government (dplg) South Africa http://www.dplg.gov.za/documents/generaldocument/LED_Guidelines_March_2005.pdf

The purpose of LED for ECOLOC is to accelerate the transition from the informal to the formal market economy. This is achieved through sound analysis, visioning, and careful strate-

gic planning and resource mobilization. It is led by local government in partnership with the private sector and community stakeholders.

Municipal Development Partnership: ECOLOC Handbook Volume 2

The above definitions of LED which have evolved over time differ only slightly and suggest broad consensus on what LED is, both as a product and a process. They also reflect a core set of commonly agreed and internationally accepted guiding principles for local economic development. These guiding principles have been developed from High Income Countries (HIC) as well as from embryonic developing country experiences and they are summarized in Table 1. There is broad-based agreement on these guiding principles as well as an acceptance that they are applicable (in different degrees) in all circumstances from HIC to developing countries; the breadth and depth of these processes necessarily need to be calibrated according to local circumstances as can be seen from the guiding principles of LED adopted in South Africa and by ECOLOC in West and Central Africa in Tables 2 and 3.

Table 1 Ten Guiding Principles of LED from Global Practice

Guiding Principle	Explanation
LED is: 1. A strategically planned process	Based on understanding local economic and social conditions & builds on competitive advantages and addressing weaknesses & threats.
2. Based on a territorial approach	Ideally based on 'functional economic space at regional or city/region levels, incorporating urban and rural space, less sectoral approaches.
3. Locally owned , designed and delivered	Every strategy needs to be designed and delivered locally to address local priorities and unique competitive positions
4. Best achieved through partnerships both for design and implementation	LED strategies are normally designed by partnerships of public, private and community actors led by local governments.
5. Reinforced by integrated government actions ; vertical & horizontal tiers.	All Government tiers are necessary partners in LED; each tier should mutually reinforce and integrate both national and local priorities.
6. Focused on enabling a conducive local business environment for all actors	LED enables private sector growth, including through reducing transaction costs, unnecessary "red-tape" & knowledge asymmetries.
7. Involves integrated interventions across multiple sectors	Traditional supply side approaches addressed specific sectors; LED addresses multiple sectors and enables synergies to be maximized.
8. Involves calibrating interventions in hard, soft & institutional infrastructure	Investments in human capital, economic infrastructure, institutional support, & inclusion programmes are all necessary components.
9. Prioritizes development and retention of local businesses and people	Earlier approaches to LED, focused on investment attraction this was normally unsustainable. Focus now is on growing local businesses
10. Projects are delivered by all actors public, private and non-governmental.	Every sector has specific competencies in delivering types of LED projects, public, private and community sectors all deliver projects.

These global practice guiding principles are reflected in and adapted in South African practice:

Table 2 South African Guiding Principles for Local Economic Development Draft National Framework for LED in South Africa: August 2006

1. Through a developmental approach, Government has a decisive and unapologetic role to play in shaping the economic destiny of our country.
2. Local Economic Development is an outcome of actions and interventions resulting from local good governance and the constant improvement and integration of national priorities and programs in local spaces.
3. Inward investment from the state or private sector will only be effective where the potential and competitive advantages of each area are known and exploited.
4. Promoting robust and inclusive local economies requires the concerted, coordinated action of all spheres and sectors of government centred on the application and localisation of the principles espoused in the National Spatial Development Perspective (NSDP).
5. Locally owned appropriate solutions and strategies must emerge to support national frameworks in both rural and urban local spaces and should promote sustainable development and sustainable human settlements.
6. South Africa competes in a global and increasingly integrated world economy whose threats must be minimised and whose opportunities must be exploited.
7. Private companies, including social enterprises and cooperatives, form the heart of the economy and have a crucial role to play as partnerships with public and community role players that will ultimately stimulate robust and inclusive local economies.
8. People are the single greatest resource and including all citizens in development and increasing their skills leads to increased opportunities for stimulating local economies.
9. Local initiative, energy, creativity, assertive leadership and skills will ultimately unlock the latent potential in local economies and will shape local spaces.

dplg, 2006

In the ECOLOC LED practice in West and Central Africa they have developed their guiding principles which reflect global practice as well as local and regional capacity and other realities.

Table 3 ECOLOC Guiding Principles for LED

LED strategies are:

1. Based on long-term visions that are underpinned by sound demographic and economic data and projections.
2. Based on sound spatial analysis to take advantage of urban and rural linkages.
3. Identify levers to accelerate the transition from informal to formal market economies.
4. Discover competitive advantages to position the local economy in national, regional & international markets.
5. Improve the local business enabling environment for the informal and formal sectors
6. Driven by local government through enhanced municipal management & information systems.
7. Overcome capacity constraints through public, private and community partnerships.
8. Based upon an elaborate social dialogue.
9. Comprise a balanced portfolio of projects, short, medium & long term, hard & soft infrastructure as well as inexpensive and more expensive projects.
10. Engage stakeholders to mobilise additional local resources and taxes for implementing programs.

Both ECOLOC and the South African guiding principles are designed according to local conditions with a heavy emphasis on addressing local capacity and resource constraints. There is none the less growing evidence that global norms are as applicable to Africa as they are to the rest of the World.

A key paper by Professor Andrés Rodríguez-Pose of the London School of Economics gives cogent arguments showing that LED policies and practices have significant potential for tackling some of the main problems faced by Sub-Saharan Africa's cities and city-regions.

"The report indicates that many of the characteristics of LED strategies, such as its territorial dimension, a stronger participation of local residents and stakeholders, the formulation of more balanced development strategies, a greater emphasis on the sustainability of development, and, above all, the combination of economic with social goals, show a significant potential for tackling some of the main problems faced by SSA's urban centres and city-regions." (Rodríguez-Pose and Tijmstra, 2006)

In the ECOLOC approach, the predominance of the informal economy is seen as a positive entry point to address the challenges of population growth and concentration in the cities. The informal economy enables wealth to be shared by a greater number of city and rural dwellers. The demographic transition, envisaged to last for at least thirty more years means that African LED strategies will have to address the economic reality of large informal and smaller formal economies. Supporting the development of the informal sector as well as the transition of actors from the informal to the formal sector

is neither well understood, nor is there significant practice upon which to build. This is a special challenge for ECOLOC and African development.

There is general consensus that the strategic planning effort should be led by local government, although project implementation is necessarily undertaken by public, private and community actors and that the institutionalization of LED needs to be carefully calibrated to both national and local environments and conditions.

UCLG-A and Local Economic Development

The UCLG-A mission is to “**Build African Unity from Driving Development through the Grass Roots**”. It intends to achieve this through its corporate strategy focusing on enabling African municipalities to improve the lives of the people in villages, towns and cities across the continent. The UCLG-A corporate strategy articulates its mission, vision, values, priority areas for intervention and a schedule of steps or

actions in the short, medium and longer term to meet the vision (UCLG-A, 2006).

UCLG-A has prioritized LED as one of its six priority areas for action². Due to the cross sectoral & integrative nature of LED, the heavy focus on LED is not solely seen in the specific LED priority area; it is also addressed in almost all the priority areas and quite specifically as identified in Table 4.

Table 4 UCLG-A Priority Areas with Direct LED Synergies

Priority Area	Actions/steps
Human capital development, capacity building and intellectual exchange	All components are directly relevant to LED
Provision of affordable basic services	Urban planning and rural development capacity
Culture Identity and Development	Local culture committees, entrepreneurship and supporting local culture
Funding and Finance	Municipal financial transfer, financial management, skills development & public private partnership for infrastructure
Promotion of Equality and the Mainstreaming of Gender, Youth & Disability Issues	All components have a bearing on the successful functioning of local economies
Public participation and Local Democracy	All components are directly relevant to LED

UCLG-A has identified an ambitious medium to long term action plan for this priority for the period 2006 - 2010. The seven actions in the LED priority area can usefully be categorized into three types of architecture: Strategic architecture,

institutional architecture and implementation architecture /modalities. They are identified in Table 5 where it can be seen that there is one key strategic and one institutional priority and five specific implementation issues.

Table 5 LED Priority Area: UCLG-A Medium to Long term Plan of Action 2006-2010

Action Steps	Architecture
1. Draw a model LED Strategy as a tool for members	Strategic Architecture
2. Create a Regional Advisory Committee on LED	Institutional Architecture
3. Develop a Programme of Action to complement the NEPAD goal of eradicating extreme poverty and hunger	Implementation Architecture
4. Labour-intensive approaches in infrastructural development	Implementation Architecture
5. Promotion of small to medium sized enterprises	Implementation Architecture
6. Create a model of integrated road development & transport systems to promote among member municipalities	Implementation Architecture
7. Determine economic opportunities in individual members and promote inter-member investment	Implementation Architecture

2 In a presentation to donors at the Vancouver World Urban Forum, UCLG-A prioritized these six areas: 1) National Association Empowerment, networking and membership development; 2) Priority needs determination, city development and LED strategic planning processes; 3) Revenue generation, fiscal management and corporate governance capacity enhancement; 4) Knowledge and information portal and resource centre establishment, 5) Capacity building in project planning and implementation; 6) Securing local government recognition as a distinct sphere of government.

Emerging Trends in LED Policy Making and Practice

By way of background Table 6 below identifies the three waves of LED, especially, but not exclusively as experienced in HIC countries from the 1960's to the present. It is within this context that emerging trends can clearly be seen.

Table 6 Trends in LED Policy and Practice

Focus	Tactics
1960s to early 1980s: First Wave	
<p>FocusKey Strategies</p> <ul style="list-style-type: none"> ➤ Attraction of manufacturing investment attraction from outside local area. ➤ Attraction of foreign direct investment. ➤ Making hard infrastructure investments. 	<ul style="list-style-type: none"> ➤ Large grants, tax breaks, subsidized loans for (big) mobile manufacturing firms ➤ Subsidized hard infrastructure investment. ➤ Industrial site servicing (e.g. roads, water, power) ➤ Hard Infrastructure provision ➤ Promotion of cheap labour, cheap land, cheap everything ➤ Foreign Direct Investment marketing ➤ Few efforts to support local established businesses or new starts
Organization	Public sector only, few, if any partners
Strategy	Strategies not normally done, uncoordinated project led development was the norm
Implementation	Almost universally public sector with very little monitoring and evaluation
Funding	Almost all projects funded by the public sector, for firms' grants and loans normally matching investments needed.
1980s to mid 1990s: Second Wave	
<p>Key Strategies</p> <ul style="list-style-type: none"> ➤ Retention and growing of existing local businesses. ➤ Continued emphasis on inward investment attraction but usually more targeted at specific sectors or areas. ➤ Focus on sectoral strategies ➤ Beginning to focus on area regeneration programs. ➤ Main focus still on the manufacturing sector 	<ul style="list-style-type: none"> ➤ Direct payments to individual large and small local businesses. ➤ More targeted investment attraction methods ➤ Business incubators/workspace provision ➤ Industrial site and premises provision ➤ Technical advice, and training for SMEs ➤ Vocational skills training especially for the disadvantaged ➤ Business start-up support. ➤ Specialist business support e.g. exports services, marketing. ➤ Hard and increased emphasis on soft infrastructure investment
Organization	Public sector driven, increasing levels of consultation, mainly with business rather than community actors
Strategy	First steps in strategy development, but still much project led.
Implementation	Still mainly public sector, some contracting to private sector or agencies
Funding	Mainly public sector with some focus on private sector contributions & embryonic M&E

(adapted by authors from Swinburn et al., 2006)

Focus	Tactics
Late 1990s onwards: Third Wave	
<p>Key Strategies</p> <ul style="list-style-type: none"> ➤ Making whole business environments favourable. ➤ Acceptance that strategies should address functional economic space "city/regions" ➤ Strategies address manufacturing and service sectors as well as agricultural in appropriate areas ➤ 'Soft' infrastructure investments (e.g., human resource development, regulatory rationalization). ➤ Public/private partnerships & Leveraging private sector investments ➤ Heavy focus on designing institutional frameworks for strategy design, implementation, monitoring and evaluation ➤ Improving quality of life and security. ➤ Strategies highly targeted and calibrated, including investment attraction strategies, business development, people development and institutional development to build competitive not just comparative advantage. ➤ Emphasis on co-coordinating and integrating Government sectoral and other budgets to meet local and regional development priorities. ➤ Developing networks, for knowledge exchange, business development, collective learning and capacity building. 	<ul style="list-style-type: none"> ➤ Increasing understanding that cities drive growth ➤ Integrated local and regional development strategies. ➤ Focus on territorial not sectoral development ➤ Horizontal local government collaborative working ➤ Community/municipality networking/collaboration. ➤ Knowledge gap and IT service support for businesses ➤ Demand led workforce development programs ➤ Strategic planning, benchmarking, SWOT ➤ Emphasis on understanding and measuring the local economy ahead of strategic planning ➤ Targeting in all program areas (human development, business development, infrastructure & area development) ➤ Facilitative business red tape reduction programs. ➤ Grants, loans, venture capital to businesses with potential ➤ Business support comprehensive and capacity building tied to grants and loan provision ➤ Quality of place and life investment programs ➤ Targeted skills upgrading for the disadvantaged ➤ Social inclusion programs and projects ➤ Provision of tailored business development services ➤ Targeted support for businesses with potential ➤ Highly targeted place and area regeneration programs ➤ Facilitation of economically linked business clusters.
Organization	Public sector-led integrated partnerships
Strategy	Holistic, building competitive advantage, more sophisticated, transparent, competitive project selection and prioritization processes. Most strategy led, except donor & government sectoral programs
Implementation	Much broader implementation done by, public, private, community sectors, agencies; more use of contracting & performance measures; considerable effort to monitor and evaluate
Funding	Wider funding options, much still public sector, increasing private sector and community funding

Whilst there is a general consensus on LED guiding principles there is less certainty in understanding which type of LED interventions are appropriate in which circumstances, especially in the African context. This is in part a reflection of limited supporting experiences or evidence around LED processes and interventions. This is especially true when considering how best

to support the informal sector. Accepting this knowledge and practice deficit, African LED experience to date does however, again, reflect the growing consensus on emerging trends in LED policy and practices, at least insofar as the formal economy is concerned. This practice is also reflected in South African and ECOLOC practical experiences & is summarized in Table 7.

Table 7 Ten Emerging Trends in LED Policy Making and Practice

Traditional LED Practices	Modern (Third Wave) LED Practices
Subsidise foreign direct investment attraction, ignoring local businesses	Invest in the whole local business environment , targeted business support on firms with growth potential
No national or local legal frameworks for LED	Increasing legislative frameworks enabling sub-national economic development strategic planning and projects
Focus on manufacturing sector and sectoral interventions	Focus on relevant agriculture, manufacturing & service sectors enabling cluster development
Hard infrastructure investments	Increasing focus on soft infrastructure especially human resource & business networking/collaboration support
Actions based on little local economy information	Evidenced based strategic planning
Public sector only real player, no partnerships	Public, private and community partnerships led by the public sector , local governments
Supply driven	Demand driven
No consideration given to institutional mechanisms for LED except foreign direct investment institutions	Emphasis on building institutional mechanisms to support businesses, formal and informal
Sectoral interventions	Territorial interventions aligned to targeting poverty
LED undertaken within political boundaries	LED undertaken within Economic Space with sometimes multiple jurisdictions

The development of LED policy making and practice has moved from largely project led, investment attraction, hard infrastructure, public sector run to multi-sectoral, integrated, partnership and locally specific strategies involving broad based investments in hard and increasingly soft infrastructure and more sophisticated institutional design and delivery systems. With this trend it is clear to see that the field has become more complex and accordingly increasingly challenging to deliver successful strategies.

LED policy and practice developments in South Africa, as well as the ECOLOC programme reflect also these third wave modalities. Recent initiatives and publications from both the dplg and South African Cities Network (SACN) in South Africa offer a wealth of knowledge and experiences. The ECOLOC LED

methodology is being applied in countries that have very severe development challenges although the programme however is increasingly engaging with many third wave techniques. MDP in particular, has identified a pressing need to develop considerable more capacity and knowledge systems ahead of these third wave modalities being adopted in a significant and sustainable way.

Even where successful programmes have been developed in Africa, good practice and methodologies are hard to find, despite growing and sterling efforts³. There is evidently a need to facilitate knowledge transfer (of LED strategic planning, institutional frameworks and implementation methodologies) and capacity building, ideally in some form of Africa specific competency centres.

Next steps

The UCLG-A LED seven priority actions identify key areas that are to be addressed over the next four years. Within this context, considering the challenges of delivering LED on the ground, there are above all two top priorities upon which furthering the LED agenda in Africa depends.. UCLG-A's first two LED priorities are about developing LED methodologies and related knowledge systems and developing regional, as well as national and local institutional architectures.

In response to this UCLG-A is working on two specific action areas:

1. Stocktaking of existing African Local Economic Development methodologies and experiences

It is clear that there are opportunities to exploit and adapt LED methodologies and experiences already in the public domain which can be captured to 'fast-track' learning.

South Africa has adopted a series of measures to support capacity-building and knowledge sharing which, together with other knowledge sharing and capacity building efforts, in Africa and beyond, should be examined to see how lessons can be learned and synergies be exploited to avoid reinventing the wheel.⁴

2. Create an African LED Competency Network

As suggested by UCLG-A the creation of an regional advisory committee could be the first step to set up a Pan-African structure which coordinates knowledge management and capitalization of experience of African LED and link it to global best practice. The African LED Consortium could link regional LED competence centres within the continent and with the rest of the world, facilitate exchange of experiences in Africa, create synergies, and organize joint research, training and capacity-building, etc.

Conclusion

The fact that UCLGA has prioritised LED as one of its top six priorities has really stepped up the already rapidly growing interest in sub-national economic development in Africa. With the exception of South Africa the experiences in the rest of the continent are disparate and not normally codified. A key next step to further the LED agenda in Africa is to stocktake and share experiences in LED and to develop some form of knowledge anchor and competency network. Clearly South Africa is at the

cutting edge of LED policy making, practice and knowledge sharing. It will be important for the broader LED community in Africa and beyond, to be able to benefit from South African experiences as well as from pan African experience. Depending upon how the Africa competency network develops there are clearly opportunities for South African networks to mentor, share and train and advise their colleagues and partners across the African continent.

3 There are an increasing number of resources which contribute to this goal, but they are few and far between and not always easy to navigate. Some examples are: <http://www.led-sa.co.za/> ; www.sacn.net ; http://www.bestpractices.org/bpbriefs/urban_economics.html ; www.worldbank.org/urban/led ; www.ilo.org <http://www.led-sa.co.za>, <http://www.dti.gov.za/thedti/seda.htm>

4 There are some very useful resources already available for example: The Cities Alliance sponsored by the Dutch Trust Funds are just completing a tool kit on 'how to understand local economies' this is certainly a toolkit that will be applicable and useful to all African LED efforts. Equally UN Habitat has an excellent best practices database which is in the public domain. UN Habitat also has a LED strategic planning toolkit offering many tools on how to design an LED strategy. The World Bank also has an LED web site with many resources from designing a strategy, to implementation options. The site also has many LED strategies which can be used as case studies, for idea generation. There is even a small LED Africa section on the website. But all these resources need to be consolidated and made user friendly as an Africa specific knowledge resource. There is clearly a need to capture LED experiences from all African countries, not only South Africa and ECOLOC experiences.

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