Module V

An enabling environment for LED

by

Andrés Rodríguez-Pose

and

Sylvia Tijmstra

Department of Geography and Environment
London School of Economics

Correspondence: a.rodriguez-pose@lse.ac.uk
Contents of Module 5

1. Aims of the module........................................................................................................3
2. Structure of the module.................................................................................................3
3. The Importance of an enabling environment.............................................................3
4. The local environment .................................................................................................4
   4.1 Local government capacity.....................................................................................4
   4.2 The role of other local actors .................................................................................7
5. The role of national and regional actors .................................................................8
6. The national and regional environment ...................................................................9

Exercise ..........................................................................................................................12

References.....................................................................................................................13

List of figures and tables

Figure 1 Government effectiveness in the 20 largest Sub-Saharan African countries (in world percentile rank) ........................................................................................................6

Figure 2 National regulatory burden in world percentile rank in the 20 largest SSA countries .........................................................................................................................9

Table 1 Potential local actors in LED .............................................................................8

List of boxes

Box 1 Dealing with local capacity problems: the ZAMSIF II case ................................6
Box 2 The importance of local actors: The case of Mutare ........................................7
1. Aims of the module

This module will examine the impact of the local, regional, and national environment on the LED process. It will discuss the importance of local, regional, and national actors within the process, as well as the role played by regulations and policies at the regional and national scale. The main factors constraining and facilitating the application of the LED approach will be identified. In general, the module seeks to convey the message that, even though LED is a locally-owned and implemented project, the national and regional environments within which it evolves have an important influence on the likelihood of its success.

Specifically this module aims to:
- Stress the importance of an enabling environment for the success of the LED approach
- Define the key elements of an enabling environment
- Examine the roles of national and regional actors in the LED process

2. Structure of the module

In order to achieve these goals, this module is divided into the following sections:

- **The importance of an enabling environment**: A brief discussion of why an enabling environment is crucial to the success of LED.
- **The local environment**: A review of the most important features of the local environment that have an impact on the likelihood of success.
- **The role of national and regional actors**: An overview of the key regional and national actors involved in the LED process and their potential role within the process.
- **The national and regional environment**: An outline of the main policy areas that affect LED and the ways in which regional and national actors can create an enabling environment.

3. The Importance of an enabling environment

The ability of LED to contribute to local economic development, the creation of decent work, and the tackling of social issues depends on several factors.

Local actors need to have access to data about the local situation and the ability to successfully analyse these data.

In addition, the drivers of LED require the skills and resources to sensitize stakeholders and create strong local forums. Since LED is a relatively new approach, introducing local stakeholders to the approach and convincing them of its merits may be a slow and difficult process. Especially in conflict-prone areas, creating social dialogue may be a complex task, which requires specialist training and strong institutional structures.

The local forums need to possess the necessary powers, resources, and skills to be able to formulate and implement an LED strategy that can truly address local issues. The
Sensitizing Package on Local Economic Development

capacity of the local government is clearly important here, but technical assistance from regional, national and international actors can help fill local gaps where they exist.

Finally, in order for an LED strategy to develop and evolve, local stakeholders need to have the ability to monitor and evaluate progress. This requires both the local availability of the necessary skills and resources and the creation of appropriate institutions for monitoring and evaluation.

As the above discussion shows, all phases of the LED are influenced by local, regional, national, and even international environment factors. The next sections of this module will discuss the impact local, regional, and national actors and on the LED process.

4. The local environment

As LED is a territorial-focused approach that is developed and implemented at the local level, an enabling local environment is key to its success. Both the capacity of local government officials and the capabilities of other locally active public, private, and non-governmental actors are important in this respect. This section discusses the importance of these features in turn, but obviously full advantage can only be taken if local government works together with other local actors to achieve the common goals of employment and development.

4.1 Local government capacity

Within the LED process, local governments typically play a crucial role in a number of ways. They may be engaged in:

- Data-gathering and analysis of the local situation
- Encouraging local stakeholder involvement
- Overseeing the LED process from formulation to implementation
- Evaluating LED and communicating the outcomes of such evaluations
- Coordination actions with other local, regional, and national governments

Being able to perform this variety of tasks requires a lot from local governments. Their ability to perform well will depend not only on their policy capacity, but also on the amount of implementation authority they enjoy and on their operational effectiveness.

**Policy capacity** refers to the ability of local governments to structure, coordinate, and feed analysis into the decision-making process (Polidano, 2000: 810). In general the policy capacity with respect to LED depends on:

- **The skill level of local officials and the time they are willing and able to spend on LED-related issues**: Analysing the local situation and structuring and coordination activities require a number of skills, ranging from basic administrative skills to more complex data analysis and management skills. Obviously local governments need not face these issues alone; technical staff from national and international institutions is often available to lend a helping
hand. Apart from having the skills to perform the tasks, local officials also need to be willing to perform them. In this sense they too need to be sensitized to the approach. Even if local officials wholeheartedly support the process, time-constraints, due to understaffing or the need to employ second sources of livelihood, may also impact on policy capacity.

- **The ability to build a rapport with other actors**: As stressed throughout this package, the LED approach relies heavily on local stakeholder involvement. In order for local governments to be able to stimulate participation, they need to have the capabilities and sometimes the ethnic or cultural background that allow them to build a rapport with a variety of stakeholders. In order to coordinate activities, they will also need to be able to communicate effectively with a variety of regional and national actors.

- **Availability of essential resources**: Local government officials are more likely to be able to perform their analysing, structuring and coordination tasks, if they have access to resources such as telephones, computers, and appropriate buildings.

**Implementation authority** refers to the ability to carry out decisions and enforce the rules when a local development strategy has been formulated (Polidano, 2000: 810). The degree of authority a local government enjoys will depend both on the amount of formal authority it possesses and the degree of social frictions in the locality. If local social fragmentation is high, it will be more difficult to build a consensus. Decisions that do not possess a high level of public acceptance will in turn be much harder to enforce. The degree of formal authority bestowed on a local authority will be of importance too. This point will be discussed in more detail in the section on the national environment and the degree of decentralization in the national system.

**Operational effectiveness** refers to the ability of local governments to deliver goods and services efficiently and at a reasonable level of quality (Polidano, 2000: 810). On the one hand, this clearly related to internal factors, such as the available resources, the technical and administrative ability of local officials, and the level of corruption that is prevalent. On the other hand, factors external to the local government, such as the quality of locally available subcontractors, plays a role.

Unfortunately, data about region and local government capacity are scarce. A World Bank study into good governance at the country level found that government efficiency is still a problem in many countries.
In most of the Sub-Saharan African countries, for example, government capacity indeed may be an issue in the adoption of the LED approach. However, as figure 1 shows, government effectiveness in Sub-Saharan Africa is on the whole not markedly worse than in other lower-middle and low-income countries. Obviously national differences do exist; while the Democratic Republic of Congo, the Ivory Coast, and Sudan score particularly badly, countries such as Ghana, Mali, Tanzania, and Mozambique rank well above what might be expected considering their income levels.

**Box 1 Dealing with local capacity problems: the ZAMSIF II case**

The Zambia Social Investment Fund II (ZAMSIF II) is a social fund aimed at developing small-scale projects to benefit the poor and other vulnerable groups. Although community participation was limited in the first phase of the programme, the second phase, implemented from 1996 to 2000, clearly involved local governments in the identification, design and implementation phases of the programme. The initial plan was to transfer full authority for the programme to elected local governments by the year 2000.

However, as tasks were progressively delegated to district councils, substantial gaps in the technical and managerial capacity of these councils became evident. Therefore, the transfer of authorities was put on hold, in favour of programmes aimed at addressing these capacity deficits. Project cycle activities have now been gradually devolved as local governments have acquired the necessary capacities.

Although ZAMSIF is a community development rather than a local economic development programme, the strategy of training local governments and gradually
devolving responsibilities when they have acquired the ability to perform tasks effectively, could be a useful tactic for increasing the success rate of LED-initiatives as well.

Source: http://www.zamsif.org.zm and (Binswanger and Aiyar, 2003)

4.2 The role of other local actors

Apart from local governments, other public, private and non-governmental organizations in the locality count for LED. They can contribute to the success of LED by:

- Contributing with external resources, knowledge, and experience
- Facilitating the participation of local stakeholders, especially low-income and informal economy groups
- Encouraging and coordinating community volunteer action
- Providing local options for subcontracting

Box 2 The importance of local actors: The case of Mutare

Within a context of high unemployment, poverty and hyperinflation, the fourth largest city in Zimbabwe, the City of Mutare, sought to promote sustainable development in the locality. Rapid urbanization had led both to environmental degradation and to rising inequality and unemployment. One of the poorest suburbs of the city, Sakubva, had been hardest hit by these developments. A highly overused municipal rubbish dump and the rapid growth of illegal housing in the area created severe health and environmental problems.

In 1996, an initiative was set up that aimed to address the waste problem. However, as a result of the participation of a broad range of stakeholders, including representative of the private sector and non-governmental organizations, the plan had much more far-reaching consequences.

Combining the information about the nature of the waste problem with the activities within the local economy, a project was established that generated both employment and environmental benefits. The organic waste was composted to be used by local households already involved in subsistence farming. Paper waste was collected and sold to local board and paper mills. These mills use paper, alongside wood, as an input for the production of soft-board. Until then, this paper was imported from elsewhere. This practice created jobs for the local population alongside benefits for local firms and the environment. It is a good example of how social dialogue and sharing information can create projects that have both economic and social benefits.

Sources: (ICLEI), http://www.tve.org
In addition, a variety of stakeholders can potentially play a role in the LED process. Table 1 gives an overview of the actors most commonly involved.

### Table 1 Potential local actors in LED

<table>
<thead>
<tr>
<th>Public</th>
<th>Private</th>
<th>Non-Governmental</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Institutions of research and higher education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Utilities</td>
<td>• SMEs</td>
<td>• Neighbourhood groups</td>
</tr>
<tr>
<td></td>
<td>• Large corporations</td>
<td>• Community service organizations</td>
</tr>
<tr>
<td></td>
<td>• Trade unions</td>
<td>• Religious organizations</td>
</tr>
<tr>
<td></td>
<td>• Land and real estate developers</td>
<td>• Organizations</td>
</tr>
<tr>
<td></td>
<td>• Banks and other financial organization</td>
<td>• Local non-governmental organizations</td>
</tr>
<tr>
<td></td>
<td>• News media</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Private institutions of research and higher education</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own elaboration based on Swinburn et al., 2004: 15

### 5. The role of national and regional actors

Even though local actors are crucial to LED, national and regional actors still play a key role. Their type of involvement has however changed considerably:

- While national and regional governments used to intervene directly in policy-making and service provision at the local level, they now have a more regulatory and enabling function.

- Whereas development strategies were traditionally developed in a top-down manner, within LED, local actors are taking change of strategy-development. The role of national and regional actors has therefore evolved from direct strategy development to coordinating the actions of public and private sector organizations, civil society institutions, and NGOs.

- In terms of data collection, the national government used to collect the data it needed through a national statistic bureau. In many cases, these data were relatively aggregated. The LED approach necessitates a move towards more disaggregated data. National and regional government are crucial in gathering, compiling and disseminating the data collected at different levels.

National and regional governmental actors that may have an impact on the LED process include line and area-based ministries, regional development agencies, planning authorities, and statistical units. Potential non-governmental actors include social partners, nationally or regionally active NGOs and umbrella organizations.
6. The national and regional environment

National and regional actors have an important role in facilitating LED in a number of ways. This section discusses the four main areas of influence.

Enabling environment for economic development: Regional and national actors can aid the LED process by creating an environment that is conducive to sustainable economic development. Programmes, plans, rules, and regulations formulated at these more aggregated levels of government have a strong impact on the local economic potential and the policy options available to local stakeholders.

National, state, provincial, and regional laws and policies that can both hinder and facilitate LED are, amongst others, laws and policies in the area of (Kaufman et al., 2005; Swinburn et al., 2004):

- Taxation
- Labour markets
- Trade and foreign exchange systems
- Administrative business regulation
- Infrastructure investments
- Environmental standards
- Land use

A recent World Bank study (Kaufman et al., 2005) united a wide selection of such policies to measure the incidence of market-unfriendly policies or the regulatory burden faced by firms. Within Sub-Saharan Africa, the regulatory burden created by national and regional laws and policies is often substantial. However, in comparison to other low and middle-income countries, most of the 20 largest countries in the region are not performing below average.

Figure 2 Regulatory burden in the 20 SSA countries (in world percentile rank)

Source: World Bank Governance Indicators 2004 (Kaufman et al., 2005)
As figure 2 shows, stark national differences exist. The national policy environments of Zimbabwe, the Democratic Republic of Congo, Nigeria, Ethiopia and Sudan are found to be particularly unfavourable. The national policy environment in South Africa, Madagascar, Uganda, Mali, Ghana, and Mozambique on the other hand is seen to be relatively conducive to business development. These countries may therefore also provide a more favourable environment for LED.

**Decentralization**: As discussed in section 4 of this module, the success of LED will depend to a great extent on the ability of local authorities to coordinate the process and implement the locally-defined policies. A meaningful LED process is only possible where local governments have at least some powers and resources. A degree of decentralization is therefore crucial to LED.

Decentralization aids LED in several ways. Firstly, through transferring powers and resources to the local level, it augments the implementation authority of local governments and empowers local communities. Secondly, it helps to create new institutions that can guide and coordinate the LED process. Finally, where decentralization creates an elected local tier of government, it increases local opportunities of voice.

As discussed in module one, decentralization has on average been modest in Sub-Saharan Africa region, although again great inter-country variation exists. The relatively high degree of decentralization in countries such as South-Africa, Uganda, and Ghana, make their governmental climate more favourable to LED. However, NGOs and international organization are supplying local communities with other options of attaining the necessary resources. The applicability of the LED approach is therefore not necessarily limited to localities in countries that already enjoy a relatively high degree of decentralization.

**Administrative, professional, and technical assistance**: Although the LED process is largely locally-owned and implemented, national and regional governments can have an assisting role, alongside NGOs and international organization. The type of assistance they can provide ranges from information about LED and the national and regional policies that impact upon it, to collecting and distributing the relevant social-economic data and offering the technical assistance of national or regional experts to fill gaps in local knowledge or skills.

**Vertical coordination**: Regional and national actors have an important role to play in assuring the synchronization of national, regional and local programmes (Rodríguez-Pose, 2002). Regional initiatives will allow localities to pool resources to address common problems. It also enables them to take advantage of economies of scale where objectives overlap. In general, national and regional coordination will enable the avoidance of policy duplication and the identification of synergies, thereby increasing the effectiveness and efficiency of LED.

Such coordination also allows for an early identification of conflicts in the policy objectives at different scales of government.
Although governments at all levels will generally strive for prosperity, economic development and decent employment, the territorial scale at which they define these objectives may create conflicts of interests. Policy makers at the central or federal level will attempt to devise policies that foster the prosperity of the country as a whole. Differences in local socio-economic characteristics may however mean that such policies are more beneficial for some localities than others. On the other hand, local forums focus on increasing the prosperity of the locality itself. In doing this, they may in fact harm the development potential of other localities. LED may also unintended negative effects on spatial equity. Although the approach tries to promote development in all territories, some localities may be better positioned to take advantage of these opportunities than others (Rodriguez-Pose, 2002).
## Exercise

### The local environment
Think of a territory you know well. How would you rate the local government’s…

- Policy capacity? (i.e. skill level, available resources, ability to build a rapport with stakeholders, …)
- Implementation authority? (i.e. the formal implementation powers it has and its ability to create a local consensus and voluntary compliance)
- Operational efficiency? (i.e. ability to deliver goods and services)

What other local public, private, and non-governmental organisations could facilitate a successful LED process in this territory?

### The regional and national environment
Thinking of the same territory, which other actors are or could be involved in the LED process?

- Regional
- National
- International

Which national and regional governmental policies impact on the LED process within the territory?

- Decentralization
- Taxation
- Labour markets policies
- Other

Are there any mechanisms of vertical coordination in place? If not, what type of coordination mechanism might be useful? Could existing structures be used for this function?
References


ICLEI Case Study 65 - Paper Recycling and Composting Project - Mutare, Zimbabwe: ICLEI.


