

Module III

How to plan and implement a LED strategy

by

Andrés Rodríguez-Pose

and

Sylvia Tijmstra

Department of Geography and Environment
London School of Economics

Correspondence: a.rodriguez-pose@lse.ac.uk



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1. Aims of the module

This module will examine the phases in the LED process, from analysing the territorial and institutional environment to evaluating and monitoring activities. It will aim to provide some general guidelines from which to proceed and flag key issues that can arise at different points within the process. These issues will be illustrated by an example taken from the LED project in the Manica Province in Mozambique, in which the ILO was involved from a very early stage.

Specifically this module will aim to:

- a) Create an understanding of how the LED strategic planning process works
- b) Identify the key phases in the process
- c) Introduce the main tools that can be used to plan, implement, and monitor the process.

2. Structure of the module

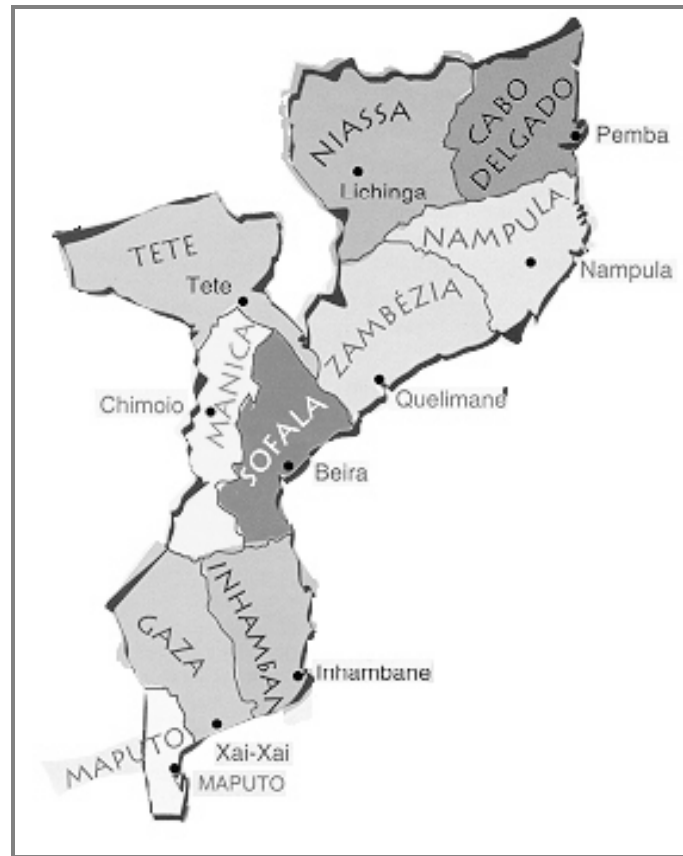
In order to achieve these goals, this module is divided into the following sections:

- a) **The phases of LED:** A brief overview of the phases of the LED approach and an introduction to the Manica Province case that will be used to illustrate the phases.
- b) **Phase 1: Territorial diagnosis:** A characterisation of the tasks that need to be performed during the diagnosis phase and an overview of the type of information needed.
- c) **Phase 2 and 3: Sensitizing and promoting a local forum:** A brief discussion of the related tasks of sensitizing local stakeholders to the LED approach and promoting a local forum.
- d) **Phase 4: Designing a LED strategy:** An outline of the main elements of a LED strategy and a more in depth exploration of tools commonly used to facilitate strategy development.
- e) **Phase 5: Implementation:** A review of the issues linked to local strategy implantation.
- f) **Phase 6: Evaluating and monitoring:** A reminder of the importance of monitoring and evaluation.

3. The phases of LED

LED is a malleable and context-specific process. Therefore it is not possible to divide it into clearly distinguishable, chronological steps or phases. Nonetheless, a successful LED process will usually contain six stages: a) territorial diagnosis; b) sensitizing of stakeholders; c) promotion of a local forum; d) design of a strategy; e) implementation; and f) evaluation and monitoring. In reality, these phases tend to be blurred and will feed into each other. For instance, problems in defining a strategy may lead to a return to the diagnosis phase in order to gather further information that can inform the strategy formation process. Although the chronological order is thus not of crucial importance, LED projects that skip one or more of these phases are less likely to succeed.

The next sections will discuss each of these stages in turn and illustrate their application in practice through a LED project in the Manica Province of Mozambique.



The LED project in Manica was part of the 1999 UN Interagency Human Development Programme in Mozambique. The LED component of this programme was aimed primarily at improving work and living standards, creating employment opportunities and alleviating poverty. In addition, it also intends to strengthen local government capacity to supply basic services, such as education and health care. The ILO was involved in this project in the capacity of a technical assistance provider to UNOPS in the implementation of the local economic development approach. For a more detailed description of the programme, in general, and the ILO's involvement, in particular, see van Boekel and van Logtestijn (2002).

4. Phase 1: Territorial diagnosis

To be able to devise a successful economic development strategy that is demand-driven and makes efficient use of local resources, local actors will first need to acquire an intimate knowledge of the local social and economic conditions.

This territorial diagnosis phase involves (Gasser *et al.*, 2004):

1. The mapping of the objectives and activities of different local stakeholders and the dynamics of the interaction among them. Such institutional mapping not only identifies potential stakeholders, but also gives a general impression of how difficult it will be to promote participation and create consensus. On top of that, the local actors that are identified in this way can already be included in the process and may be able to share useful knowledge that may facilitate further data collection.
2. A wide range of information about the socio-economic and political situation within the territory will be needed to inform the strategy design. Such information can be gathered via statistics and surveys and action oriented research strategies. The data available from national statistics bureaus may be helpful in this respect, but unfortunately local or even regional data are often not available. Especially in the Sub-Saharan African region and other developing areas, statistical information is often scarce and, at times, unreliable. In this case more locally-based research will be necessary to unearth the data needed for informed policy making.

The ultimate goal of the territorial phase is to give stakeholders as complete as possible an overview of the:

- a. Local institutional and political environment
- b. Relevant legal and regulatory frameworks
- c. Ongoing and planned development activities of local, regional, and national governments and other actors, such as international organizations and NGO's, that have an impact on the locality
- d. Key statistical information

Box 1 Territorial diagnosis in the Manica Province

In the case of Manica, the territorial diagnosis was carried out by ILO and UNOPS staff together with researchers from a range of local universities. This group researched not only the conditions in Manica, but also looked at the situation in two other provinces involved in the programme. Executing part of the analysis in cooperation with neighbouring provinces may provide an opportunity to economise on resources and gather more data that would have otherwise been possible.

The involvement of local actors, alongside technical staff from international organizations, proved useful. While ILO and UNOPS staff brought skills and experience to the project, local actors had a more intimate knowledge of the local conditions and dynamics among stakeholders. This combination enabled a strong and relatively comprehensive analysis of the situation. The involvement of local actors at this early stage aided local ownership and strengthened approval within the wider community.

Source: (van Boekel and van Logtestijn, 2002)

5. Phase 2 and 3: Sensitizing and promoting a local forum

The LED approach depends on the participation of a wide range of local stakeholders in all phases of the project. Therefore it is crucial to make local stakeholders aware of the programme, stimulate their involvement and provide structures through which they can participate. Generally, this part of the LED process consists of two highly interrelated phases:

1. **Sensitizing:** This part of the LED process tries to raise awareness and generate social dialogue. To make LED work, local stakeholders will first need to be aware of the initiative. Second, stimulating dialogue amongst stakeholders at an early stage will enable them to realise how their futures are interconnected and perhaps already define some areas where adjustments could be made and joint actions could lead to the achievement of common development goals. Stimulating local actor involvement and commitment to the project at such an early stage will aid the process later on. It also helps to assign development ownership to the local community.
2. **Promoting a local forum:** Creating a local forum that provides a real opportunity for dialogue between the stakeholders is crucial to achieve a participatory process of strategy design. Such a forum will generally be composed of representatives of all the key local stakeholders. It seeks to foster cooperation and coordination, by providing a friendly and constructive environment in which to discuss issues that impact on the locality, in general, and some groups, in particular. It offers an opportunity to share local knowledge and find synergies. Such exchanges can foster innovation, as groups which are not normally in contact with each other have the chance to exchange ideas. It also facilitates the coordination of local resources and makes the process of formulating a strategy more transparent and accountable.

Box 2 Local Forums in the Manica Province

In the Manica province, two types of forums were created: *grupos de trabalho* (or working groups) and seminars.

The *grupos de trabalho* (working groups) brought together local stakeholders and funding agencies. It enabled an exchange of ideas among groups that were not normally in contact with one another. This helped to build and strengthen social dialogue within the community. Such exchanges also helped to develop a better understanding of the major issues within the locality. On top of this, the constructive discussions within the forums helped raise awareness of the possibilities and benefits of joint action. This in turn heightened the local interest in the LED process as a whole.

In addition, LED seminars were organised. A wide range of local, regional, national, and international stakeholders participated. Government representatives, for example, presented some of the provincial strategies directly affecting the policy environment of future LED initiatives, such as for example agricultural and labour policies.

Technical staff from international organizations, on the other hand, presented some of the key aspects of LED and chaired a selection of working groups, which discussed the application of these aspects to the local context.

Source: (van Boekel and van Logtestijn, 2002)

6. Phase 4: Designing a LED strategy

After extensive consultation, the local forum will need to develop a strategy of how it can address local problems and needs, within the constraints of their competences, resources, and capacities. Such a strategy generally comprises:

1. **Local vision statement:** The local stakeholders should define the local environment that they ultimately aim to create. Such a vision can be a helpful tool in maintaining coherence in the development policies and projects that are designed and implemented over time. Care needs to be taken, however, in order to define a realistic vision for the locality. Utopian ideals that could never be achieved are not useful in guiding policy. The ultimate goal needs to be defined within framework of the current local situation and the national context.
2. **Concrete objectives:** A set of more tangible, shorter term LED activities need to be defined, along with a set of concrete objectives and measurable targets. Such objectives are the concrete development goals that a locality seeks to achieve with LED policies and are usually bound to specific deadlines.
3. **LED policies:** A set of specific policies has to be devised to achieve these objectives.

To aid the formulation of concrete objectives and policies, a number of tools can be used. This section will cover two of such tools; the SWOT matrix (Wehrich, 1982) and the 'bases and risks of LED' framework (Rodríguez-Pose, 2002).

6.1 The SWOT matrix

To be able to formulate a successful LED strategy, the data unearthed in the territorial diagnosis phase have to be presented in a systematic way and issues and possible solutions need to be drawn out. Perhaps the most commonly used tool for this task is the so-called SWOT analysis (World Bank Urban Development Unit, 2003). Although SWOT analysis was originally developed as a management tool for firms (Wehrich, 1982), it can be adopted to meet the needs of LED planning.

In the context of LED, SWOT stands for the local **S**trengths and **W**eaknesses and the external **O**pportunities and **T**hreats a locality faces. Making this distinction enables actors to organize data and focus on the impact internal and external factors and conditions have on the locality and the social and economic developments within it.

Listing strength-weaknesses and opportunities-threats is, nevertheless, only one part of the SWOT matrix. To define the strategy options available to a locality, both the local and the external aspects need to be combined. A SWOT analysis should therefore consist of three parts:

1. **Identifying strength and weaknesses:** This part of the SWOT analysis looks at the internal conditions within the locality which promote or hinder economic development and the creation of decent employment.

To identify the strengths of a locality, local actors need to ask themselves why residents or firms would choose to locate in their town, city or region rather than any competing locality and which features encourage their quality of life or chances of commercial success. Weaknesses, on the other hand, are those factors that would make residents or firms prefer to locate elsewhere or that hinder personal fulfilment or business success.

Apart from requiring an intimate knowledge of the local situation, successful identification of strengths and weaknesses also demands a basic understanding of what other location choices are available to the groups it seeks to attract. In other words, whom does the locality compete with? Is it mainly competing with neighbouring regions or areas in the same country or does it have such a strong position that it is actually able to engage in international competition? What are the strong and weak points of competitors? Such considerations are important especially if localities seek to attract inward investment.

2. **Identifying opportunities and threats:** This part of the SWOT analysis looks at the external factors that impact upon the area's ability to foster development and decent work.

Within this phase, local actors need to identify the opportunities and threats the current socio-political and economic environment brings for their locality. The scale of the environment that needs to be considered depends on the position of the locality within the global economy; if it competes mainly on a national or regional scale, looking only at national and regional trends will suffice, if it is able to compete with localities in other countries, developments in those countries will also need to be considered.

3. **Developing a SWOT matrix of strategic options:** Up until this stage, the SWOT analysis has mainly been a data-organizing tool. The true power of SWOT is however unleashed in this final stage: the joining together of strength-weaknesses and opportunities-threats into potential strategy options. Unfortunately, this final stage is often forgotten in strategy formulation.

The SWOT matrix seeks to define different types of strategies that combine local features with external developments to enable a locality to improve its position or at least prevent it from getting worse. In general there are four types of strategies. These are summarized in figure 1 below. Obviously, local actors may not be able to define potential strategies in all four of these types. In fact local conditions and external circumstances may be such that only one type of strategy is possible.

Figure 1 The SWOT Matrix

	Strengths	Weaknesses
Opportunities	Maxi-maxi LED strategy: developing a locality's strengths to take advantage of attractive opportunities	Mini-maxi LED strategy: addressing internal weaknesses to take advantage of attractive opportunities
Threats	Maxi-mini LED strategy: using a locality's strengths to cope with or avoid current threats	Mini-mini LED strategy: minimizing the effects of internal weaknesses and external threats

Source: own elaboration based on Weihrich (1999)

6.2 The 'bases and risks of LED' framework

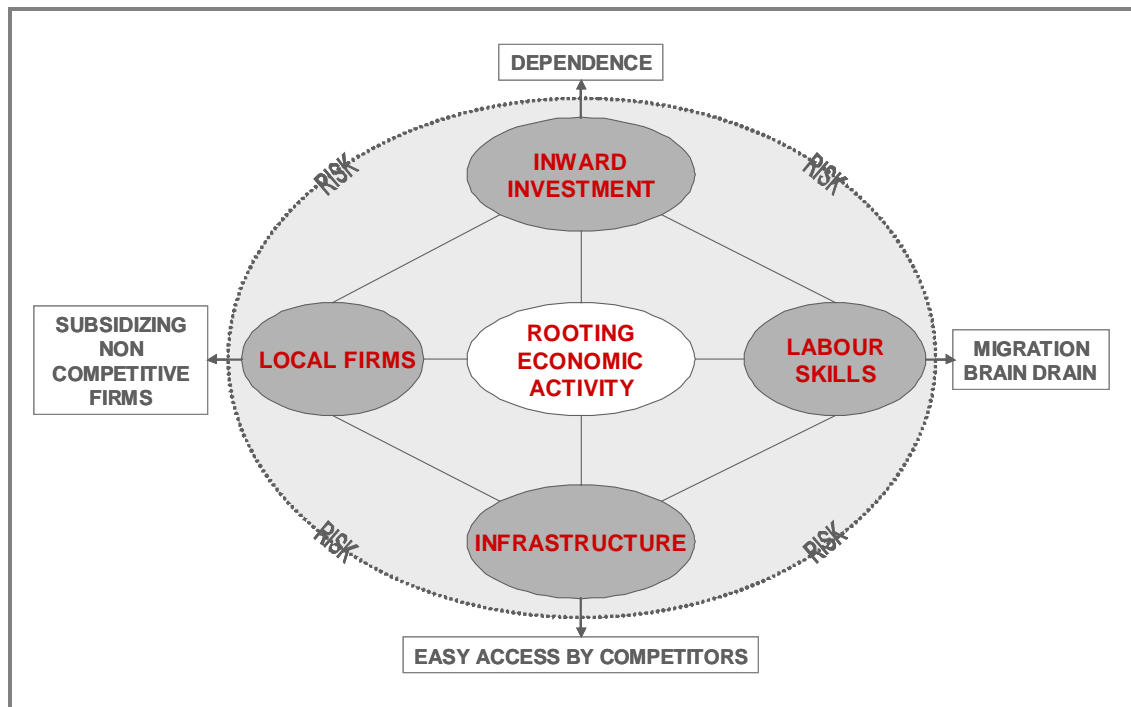
When a range of potential strategies are defined, the 'bases and risks of LED' framework (Rodríguez-Pose, 2002: 9) can be used in order to identify particular tools and make sure a balanced and integrated approach is adopted.

Within this framework, four commonly used types of LED policies are identified:

1. **Local firms:** policies that aim to improve the competitiveness of local firms.
2. **Inward Investment:** policies aimed at attracting new inward investment.
3. **Labour skills:** programmes and projects aimed at developing local human capital and skill-pool in the local economy.
4. **Infrastructure:** activities that aim to upgrade the local infrastructure

Although intervention does not necessarily need to occur in all four axes, the framework shows that intervention in any of the four areas is only likely to have the desired result if it is matched by sufficient capability in the other three.

Figure 2 The 'bases and risk of LED strategies' framework



Source: (Rodríguez-Pose, 2002)

For example, upgrading local infrastructure will not necessarily lead to economic development and employment if the local economic fabric is weak. In other words, if local human capital and labour skills are low and firms within the locality are not competitive in a broader market, improving infrastructure may only provide easy access to outside competitors rather than development opportunities for local firm.

In this context, focusing mainly on attracting inward investment would also not produce the desired results. If skilled labour is scarce and local firms are not competitive, such policies are likely to either fail or only create low-skilled, low-paid employment and greater dependency on external economic actors. However, if local firms are capable of producing quality inputs and the population has the appropriate skills, a strategy aimed at attracting inward investment can generate higher quality employment and additional opportunities for local firms.

Similar arguments can be made for policies that focus on either of the other axes in an environment that suffers from weaknesses in other sectors. Developing labour skills can lead to migration and brain drain, if skilled jobs are not available locally. Likewise, embarking on policies to increase the competitiveness of local firms may only lead to subsidizing uncompetitive firms, if the local economy does not provide an environment that is conducive to growth.

If certain local features that enable a successful implementation are lacking, this does not mean an instrument cannot be used. However for the policy to have the desired effect, it will need to balance these development axes with efforts to boost the remaining factors to a level that will allow the local economy to take full advantage of any development policy.

Box 3 The LED strategy of the Manica Province

After an analysis of the strengths and weaknesses of the locality and the opportunities and threats facing Manica province, the local forum decided on a strategy based on three of the four axes:

1. **Enhancing local infrastructure:** It was decided that some aspects of the physical, financial, and commercial infrastructure of the province were hindering economic growth and development. Projects aimed at creating small local markets, upgrading grinding mills, and creating credit organizations were developed to address some of these problems.
2. **Strengthening local firms:** Projects to support existing firms and promote the creation of micro- and small enterprises were developed. These programmes aim to dynamize the local economy and increase the competitiveness of firms in the locality.
3. **Upgrading human capital and labour skills:** In order to aid the competitiveness of local firms and equip the local population with the skills necessary to find new employment or perform their current jobs more efficiently, teaching courses were developed in cooperation with institutions, such as the Ministry of Agriculture.

Source: (van Boekel and van Logtestijn, 2002)

7. Phase 5: Implementation

Within the LED programme, local stakeholders are responsible for implementing the plan. In order to be able to do this effectively, a clear implementation structure needs to be set out in the LED strategy. This will include a description of the implementation institutions and their specific responsibilities and budgets.

In many cases, local institutions that could manage the implementation phase may already exist. Wherever possible, the use of such existing resources and structures is to be preferred to the creation of new implementation structures. This not only provides an opportunity to economise of financial resources, but it also avoids duplication and policy overlap.

Where suitable institutions are not available, new implementation structures will have to be created. Such structures often take the form of a Local Economic Development Agency (LEDA). The advantage of a LEDA is that this institutionalizes the local forum, giving it a legal personality that enables it to enter into contracts with others. Combined with the broad membership of the forum, this new legal status also gives LEDAs a mandate to lobby regional and national governments and international organizations (Gasser *et al.*, 2004: 77).

Box 4 Implementing LED in the Manica Province

In the Manica Province, where possible, the implementation of the LED activities was carried out by existing local institutions. The local forum nonetheless decided to create a LEDA alongside the existing structures. It was though this would facilitate a more effective use of resources as well as institutionalize the democratic methods and opportunities for social dialogue and participation the local forum introduced. The main tasks of the LEDA are to:

1. continuously identify new development opportunities
2. mobilise technical and financial resources to realise local aims
3. provide technical and financial assistance to aid the creation of new enterprises and the strengthening of existing firms
4. encourage consensus building, democracy and participation

Source: (van Boekel and van Logtestijn, 2002)

8. Phase 6: Evaluating and monitoring

Monitoring and evaluating activities is crucial to determine whether the LED strategy is (still) achieving the objectives. It enables learning, through looking at the origins of successes and problems. It also encourages a re-examination of the local situations. On the basis of this, the LED strategy can be amended to reflect lessons learnt from implementation and changes in the economic and social conditions. It is therefore crucial for the success of the long term LED process to set up clear monitoring and evaluation processes from an early stage.

Although often presented together, monitoring and evaluation are two distinct activities (Swinburn *et al.*, 2004). Monitoring consists of the continuous assessment of achievements. This type of review takes the LED strategy as given, and seeks to continuously assess the current progress. Such an ongoing review process helps to identify issues at an early stage and facilitates an apt response. Evaluation on the other hand, is a periodic assessment, which looks not only at the efficiency and impact of the LED strategy, but also at its relevance considering changes in the economic and social conditions the locality faces.

Through such processes of continuous and periodic review, local actors can acquire valuable knowledge about both the quality of the LED process, i.e. the quality of implementation, and its outcomes, i.e. the results of the programme.

To enable a systematic review process, performance indicators will have to be defined. It is important to remember that these are not targets; rather they are tools for

measuring the effects of LED strategies (World Bank Operations Evaluation Department, 2004). Such indicators are measures of:

1. **Inputs:** the financial and physical resources that are used
2. **Outputs:** the goods and services that are generated with the inputs
3. **Outcomes:** the local use of and satisfaction with outputs
4. **Impacts:** the ultimate effect of the LED strategy on economic development, decent work opportunities and social conditions

Box 5 Evaluating the financial infrastructure project in the Manica Province

As part of the LED strategy, a programme to increase access was created in the Manica Province. The overall goal of this project was to enable the creation of new enterprises. The success of the project was evaluated using:

1. **input** measures such as the costs of supplying credit and the recovery rate
2. **output** measures such as the different types of loans on offer
3. **outcome** measures such as the demand for credit and the number of loans disbursed
4. **impact** measures such as the number of new jobs created

The evaluation showed that the results are promising, but local residents may need to receive more business support and training to be able to take full advantage of the scheme.

Source: (van Boekel and van Logtestijn, 2002)

Exercise

LED strategic planning	
To see how the LED planning process might work, think of how it may be applied in a territory you know well. Choose a territory you are familiar with (access to in-depth data is not necessary to answer the questions). Which locality (city or region) have you chosen?	
<ul style="list-style-type: none"> ▪ Name 	
<ul style="list-style-type: none"> ▪ Location 	
<ul style="list-style-type: none"> ▪ Number of inhabitants 	
<ul style="list-style-type: none"> ▪ Rural/urban 	
<ul style="list-style-type: none"> ▪ Central/periphery 	
Territorial Diagnosis	
What are the general socio-economic features of the locality in terms of...	
<ul style="list-style-type: none"> ▪ Income level? (for example higher, lower, similar to country average) 	
<ul style="list-style-type: none"> ▪ Unemployment? 	
<ul style="list-style-type: none"> ▪ Informal sector activity? 	
<ul style="list-style-type: none"> ▪ Infrastructure? 	
<ul style="list-style-type: none"> ▪ Natural resources? 	
<ul style="list-style-type: none"> ▪ Ethnic composition? 	
What are the general features of the political and institutional environment, in terms of...	
<ul style="list-style-type: none"> ▪ Level of decentralization? 	
<ul style="list-style-type: none"> ▪ Local institutions dealing with economic development (like local governments, NGO's, international organizations, ...) 	

<ul style="list-style-type: none"> ▪ Employers' organizations and trade unions? 	
<ul style="list-style-type: none"> ▪ Religious and other community groups? 	
<p>If you were implementing the LED approach in this area, what information would you need? Who could be of assistance in gathering these data locally, regionally, nationally, and internationally?</p>	
Sensitizing and promoting a Local Forum	
<p>In your opinion, how difficult would it be to make local stakeholders aware of the LED project and create a local forum?</p>	
<p>Which local stakeholders would you seek to include and how would you approach them?</p>	
<p>Are there any existing organizations that could be of assistance in creating a local forum?</p>	
Designing a LED Strategy	
<p>Based on your knowledge, what are...</p>	
<ul style="list-style-type: none"> ▪ The main internal strengths? 	
<ul style="list-style-type: none"> ▪ The main internal weaknesses? 	
<ul style="list-style-type: none"> ▪ The primary opportunities the external environment brings? 	
<ul style="list-style-type: none"> ▪ The primary threats the external environment poses? 	

<ul style="list-style-type: none"> ▪ Try to combine strength and weaknesses with opportunities and threats to create possible strategies. Place them in the matrix below (Do not worry if you cannot come up with a strategy in each cell of the matrix). 		
	Strengths	Weaknesses
Opportunities		
Threats		
Look at the strategies you have identified. Are they aimed at...		
<ul style="list-style-type: none"> ▪ Labour skills? If so, which parts/how? 		
<ul style="list-style-type: none"> ▪ Local firms? If so, which parts/how? 		
<ul style="list-style-type: none"> ▪ Infrastructure? If so, which parts/how? 		
<ul style="list-style-type: none"> ▪ Inward investment? If so, which parts/how? 		
Bearing in mind the initial situation in the locality, consider if each of these strategies is balanced? Why/why not?		
If imbalances exist, what measures would be needed in tandem with these strategies to ensure they have the intended effects?		
Implementation		
Are there any local institutions that could oversee the implementation of the LED approach?		
If current institutions are insufficient, which type of organization should be created?		
Evaluation and Monitoring		
Choose one of the potential LED strategies you identified in the SWOT analysis. How would you measure...		
<ul style="list-style-type: none"> ▪ Inputs? 		
<ul style="list-style-type: none"> ▪ Outputs? 		
<ul style="list-style-type: none"> ▪ Outcomes? 		
<ul style="list-style-type: none"> ▪ Impacts? 		

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