AFRICA

LOCAL ECONOMIC DEVELOPMENT IN AFRICA: IMPLEMENTATION, CONSTRAINTS AND PROSPECTS

Dialogue and capacity building of local and regional authorities in EU partner countries in the fields of development and local governance

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Local Economic Development in Africa: Implementation, Constraints and Prospects

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Summary

1. INTRODUCTION

Decentralisation is an extensive institutional reform that is considered by many analysts as the most fundamental reform since most African countries got their independence. Today, it has become a tidal wave sweeping across the 31 million km^2 of Africa and affecting the life of its population of about a billion people. Designed as a political strategy for the provision of local public services to the greatest number, decentralization faces two challenges: a rapidly growing population (2.5% per year), characterized by its extreme youth (median age: 20), is made up of a mosaic of peoples speaking many languages; urban development; the rate of urbanization in African countries ranges from 40% to 70% with a strong growth in metropolises with more than one million inhabitants that are beset at varying degrees by the rapid growth of impoverished suburbs, as well as deficiencies in infrastructure, public transportation and basic urban services.

The macro-economic context within which African decentralisation processes unfold has not been very favourable. After almost thirty years of implementing structural adjustment policies, African countries are recovering economically with positive annual growth rates of between 4% and 6%. Despite these positive signs, Africa remains economically underdeveloped. It represents only 2% of world trade and receives only 3% of foreign direct investment; although it accounts for 15% of the world population. Among the 47 countries identified by the United Nations as least developed in the world, 18 are in sub-Saharan Africa. The New Partnership for Africa's Development (NEPAD) has not yet been able to drain significant aid and investment flows to the continent or to mobilize African savings which experts believe up to 40% are invested outside Africa. However, key interventions driven by the international community such as the Initiative for Heavily Indebted Poor Countries (HIPC) have helped increase the financial and intervention capacities of central and local governments in the targeted countries particularly with regards to the fight against poverty, access to services and improving the living conditions of the populations. On the negative side again, the global financial crisis that started in 2008 weakened the economic base of many countries including African countries. Recurring fluctuations in the cost of raw materials and the impact of natural disasters (floods, droughts, etc.) wiped out many development efforts in a good number of African countries.

The political context of African decentralisation equally remains problematic. Although there has been a significant increase in the number of democratic political systems on the continent, unlike what prevailed in the two decades that followed the independence of most African countries, military coups and political strife still exist. "Fragile" countries experiencing political and institutional instability are still far too many: namely Chad, The Central African Republic and The Democratic Republic of Congo in Central Africa; Côte d'Ivoire, Guinea- Bissau, Liberia, Mali, Sierra Leone and Togo in West Africa; and Eritrea, Ethiopia, Somalia and Sudan in East Africa. In general, virtually all countries have instituted multipartism and universal suffrage as the method to select political leaders even though this electoral democracy is sometimes not systematically implemented at the local government level. Thus one still finds countries in which local leaders are appointed by the central government or the cycle of local elections is often interrupted for many years. However, decentralization is strengthened the logic of the disengagement of the state and the central administration, although this trend has proved problematic and even counterproductive in the absence of any real transfer of powers and financial resources and because in virtually all cases, the central government retains control of local funds and taxation, as well as its monopoly on foreign aid and financing.

Overall, African decentralisation processes have recorded significant improvement. While they were for a long time perceived as a mere administrative technique in the vast majority of countries due to a variety of historical, political and sociological reasons, they now involve autonomous decision-making powers accompanied by a greater legitimacy of local officials boosted by the democratic manner in which they are selected. This trend is however not uniform for all African countries. Another general trend observed since independence has been the significant and continuous growth in the number of local governments, thereby covering territories more comprehensively and particularly urban spaces across Africa. Diversification and a more refined and complex hierarchy of structures and territorial tiers of decentralization can also be seen. Today, Africa has about 12 000 local governments with more than 4 000 in North Africa, 3 000 in West Africa, 1 000 in Central Africa, 2 000 in East Africa and 1 300 in Southern Africa.

Finally, one of the most significant developments regarding decentralisation is the relative increase in the responsibilities of local governments in many countries. The range of local government responsibilities has gradually expanded to include local governments acting as agencies of the State (civil status registrations, policing, economic development policy, town planning policy, employment policy); local authorities partially contributing to the execution of State policies (national sectoral policies, equity and social welfare policies, support policies for the youth, women, retirees, disabled, ...); and responsibilities inherent to local governments, previously exercised by the central government and now transferred to local authorities. Among such responsibilities, local economic development occupies a prominent position in the activities of local authorities.

2. LOCAL ECONOMIC DEVELOPMENT IN AFRICA, A LONG GESTATION

The post-independence years in Africa were marked by a centralised, macroeconomic and sectoral management. This centralised management of public policies resulted in significant inequalities regarding income, access to housing, access to basic services like water and electricity, health, education, etc. Centralisation resulted in some glaring inefficiencies in the provision of local services for several reasons: high cost of local services and services poorly adapted to the preferences of the local population resulting in waste of resources and an inefficient allocation which hinders national development. On top of being at a macroeconomic level and directed from the central level downward, these policies were supply-driven, generally timeless, sectoral, delivered locally at neighbourhood level and unsustainable from an infra communal perspective.

Gradually, local concerns became increasingly evident in the various countries. The concept of “local” took more prominence in development strategies with the starting point being the elaboration of strategies that had a territorial and spatial impact. Secondly another innovation appeared in development theories and practices, namely, the concept of participatory development[1]. For many African and international analysts, the challenge is to question traditional approaches to development, particularly their ability to lay the foundations for sustainable development. Although the expected participation level and objectives set up by agencies are different, public and private donors consider that the importance of participation is beyond a simple means to improve the efficiency and ensure sustainability of projects: it is an end in itself.

In line with the reforms, decentralisation evolved with the goal of eliminating the number of challenges in the development and implementation of public policies. These included the existence of many decision-taking centres which were not always driven by the public interest, but were influenced by rent-seeking behaviours, inefficient and corrupt bureaucracy, and problems in the relationships between head and agents, etc. That is why, in addition to institutional differentiation, African decentralisation has included the notion of local elections for a while now. Today, decentralization is inseparable from the democratic legitimacy of local authorities and the establishment of elected local councils is the rule in each country. Apart from the fact that the election of local officials transforms decentralization into a political matter; this new situation is not as trivial as it seems. Indeed, from the time when local authorities are elected, it implies a form of responsibility of these local elected representatives towards their constituents. It changes the meaning of liability (accountability) which was previously geared towards the Central government and is now geared towards voter populations.

[1] For the World Bank, participatory development is "a process through which the various stakeholders influence and share the monitoring on development initiatives, decisions and resources concerning them". In its desire to promote involvement, the World Bank's main objective is to improve efficiency and sustainability of programmes it finances.

The UNDP defines participatory development as "a process whose objective is to empower people so that they can start an action for a self-reliant development and acquire the ability to impact and manage change in their community"; For ACDI "participatory development refers to a process through which society is actively involved in development actions at all levels; The European Commission considers that "participatory development is a development global approach that involves the establishment of mechanisms aiming at associating the population to the various stages of the development process, as from the start".

However, the link between decentralization and local economic development (LED) was not initially perceived due to very context in which decentralisation emerged. In most African countries, decentralization was introduced in the wake of democratization and multiparty politics, following decades of centralized power and single party rule. For these reasons, decentralization primarily focused on political and administrative issues: territorial division, local elections and concerns about the new role of local officials in the national polity. This predominance of the political aspects of decentralisation led to the neglect of economic and financial concerns. With the economic crisis of 2008 and the stagnation that African countries have been experiencing over the last decade, despite relative macro-economic growth, concerns about youth employment and income generation returned to the forefront. Today, local authorities are on the frontline in terms of job creation and income generation; they are the first institutions to face the high social demands.

Two other factors have led to these high social demands and renewed interest in local economic development and financial concerns. The first factor is the population growth and rapid urbanisation. With an urbanisation rate of about 40% Africa is the least urbanised continent. All projections show that the whole of Africa is at the heart of a rapid demographic transition which is in the process of taking her from predominantly rural to predominantly urban (World Urbanization Prospects). In the future, the growth rates for the fastest growing cities will reach and stand over 10%, i.e. about three times the growth of European cities at the height of the industrial revolution. The total urban population and the urban area will triple over the next three decades. By 2040, it is estimated that Africa's urban areas would have received the equivalent of the entire population of the United States as new urban migrants. Although the growth rate of the total population is expected to decline in the coming years, the urban population will continue to grow. This high urbanisation rate will then gradually slow down as the "reservoir" of rural population depletes. One original characteristic of the current wave of urbanisation is that it will concentrate on middle and secondary cities thus generating many new urban centres across the continent.

The second factor giving rise to LED is globalisation and there are two reasons further explaining how globalisation has given rise to the demand and prominence of LED. The first reason is linked to the new context of economic development across nations. During the first three decades after independence, the importance of the territory was overlooked in national development. The territory was perceived as a passive receiver of economic development activities initiated by the central government within the framework of deconcentration. The territory in itself was not viewed as a development factor. With increased competition induced by globalization, the territory became a competition place; it then started to have an ever increasing role in business strategies. From then on, its characteristics, its comparative advantages and competitiveness, just to name a few, started to attract the attention of national policy makers. The second reason is linked to the strategy of firms at the global level and most particularly the logic that presides over the choice of places where to establish new firms or migrate old ones. With globalisation, the territory and its comparative advantages have become prime considerations when making decision as to where to establish or migrate businesses. Paradoxically therefore, globalization places the territory on the agenda as a hard point in a world that has become virtually borderless with regards to the migration of human resources, capital and companies. This movement gives local governments a very prominent role in reconciling economic dynamisms with social transformations, and in searching for a more positive balance between the common good, public authority and private initiatives.

Thus, urbanization, globalization and decentralization gave birth to the territory, thereby bringing LED to the forefront. The national territory is now managed as a juxtaposition of local economies with different characteristics. Africa's encounter with globalisation happens at the level of these local economies and it is there that the real development opportunities of many countries are being played out as well as the negative effects of globalisation mitigated; all of this at a time when the capacity of the Central government to respond to globalisation is increasing reduced.

In this context, a new model of governance focusing on local concerns and adequate for sub national territorial entities is gradually gaining momentum. For this to happen, it took getting rid of several constraints; high among which was the "centralist" view held by national and international actors and which consisted in considering economic and financial concerns as the Central government's exclusive domain. The second is a "negative" approach to development that focuses on the fight against AIDS, unemployment, insecurity and poverty while failing to appreciate that sustainable development requires pro-active "positive" actions towards wealth creation. As a positive approach to solving problems at the local level in a sustainable manner, LED therefore appears to be at odds with prevalent ideas.

3. LOCAL ECONOMIC DEVELOPMENT: GUIDING PRINCIPLES, ACTORS, IMPLEMENTATION STAGES

Local Economic Development (LED) aims to boost local economies, promote job creation and income generation and improve governance and municipal performance. The promotion of local economic development is based on a different approach to traditional development strategies. It focuses on improving a territory (that is, a region or a city and its hinterland)'s competitiveness and economic performance. Local governments, businesses, community organisations and/or NGOs work together to develop an understanding of their local economy, reflect on the different revival options available to them and develop strategies and projects enabling them to share the benefits of economic growth.

LED therefore refers to a territory-based economic development strategy, whose project management is local and mainly aimed at increasing the number of jobs, the income mass, and achieves broader economic growth. LED is a partnership approach focused on strategic planning and centred on local demand to facilitate job growth, poverty alleviation and improved living conditions through improved economic governance.

The LED approach has three main components namely; a four-to-six-month period for the assessment of the local economy (the study phase), a political dialogue and consultation phase which equally lasts for about six month, and finally an implementation phase which needs not be limited in time.

The study phase leads to the development of a set of coherent data, as well as retrospective and prospective analysis on the local economy, its actors, its challenges and trends, expressed quantitatively (as matrix for urban-rural social accounting), qualitatively and spatially. The study phase is steered by the LED Committee initially composed of the mayor or mayors in the region, local officials, as well as a number of economic operators representing chambers of commerce and gradually extended to other actors. The study phase ends with the public presentation of the results before all stakeholders involved.

The phase of political dialogue and consultation begins promptly during the study phase. It consists of a series of targeted consultations and negotiations under the leadership of the local government with the participation of the study team members and resource persons. The objective is to gradually build a shared vision on the functioning of the local economy, its strengths, weaknesses, opportunities and threats. This is aimed at achieving a broad consensus or at least a coalition of interests around a strategy for local economic development that will enable local actors to manage and control their own economic future. The political dialogue phase ends with the Local Development Forum during which the LED Strategy and Action Plan (LEDSAP) and the Local Economic Development Charter are approved.

The implementation phase of the LEDSAP engages stakeholders for actions in their individual capacities as well as in partnership. For example private sector operators are expected to make investments that contribute to job creation and local economic growth in their individual capacity; while the local government on the other has to take action to improve the local business environment. However both the private sector and the local government may decide to act in partnership on a Public Private Partnership basics. The LED Committee therefore has to engage stakeholders to act both individually and collectively. This phase may require the setting up of municipal associations to put pressure on national authorities to take actions on issues that are within their responsibilities; or in the case of border municipalities, the setting up of advisory bodies with local governments in neighbouring countries to discuss common concerns such as town planning and regional trade promotion.

Given the focus of LED on job creation and income generation, the following guiding principles preside over its planning and implementation phases.

1. First, local economic development strategies are based on a thorough economic and institutional analysis. What is not "known" cannot be managed; this is the condition for developing appropriate and sustainable strategies.
2. Local economic development is based on a territorial integration of urban and rural sectors; it takes into account the local economic reality in Africa, which accrues from urban and rural activities. The approach is driven by the demand of local actors.
3. Local economic development is based on partnerships set up by local and regional authorities with the private sector and civil society, community organisations, rural producers, etc.
4. Finally, local economic development accrues from a local consensus on improved institutional environment, economic, financial and social objectives, as well as poverty alleviation.

3.1 Actors of the LED Process

Several actors are mobilized to ensure the success of a local economic development process, namely:

➜ Municipal Council (s): the main body for decision-making and implementation.

➜ Local LED Committee: an advisory body with about 15-20 representatives of key local organizations and other local actors. This committee also includes municipal council (s) members, as well as communities and local authorities from the hinterland.

➜ Dialogue Groups: these are groups trained to support each part of the process as required. They develop ideas, develop projects and discuss the main objectives and goals as well as identified programs. Dialogue groups also act as a pressure group vis-à-vis the LED committee promoting projects within their identified goals.

➜ Local Communities are consulted through their various organizations, and also through target groups if required. This process is decided on the local level, in accordance with good practices, local standards and the ability to carry on the consultation.

These four structures ensure that all possible resources can be mobilized for the implementation of the strategy. They enable the various groups in the community (formal and informal sector actors, civil society, academia and the public sector) to voice their opinions as the process unfolds.

The whole process is supported and advised by a mediation and technical support team (MTST) made up of municipal officials, consultants and other experts who are deemed appropriate depending on local circumstances.

Dialogue with the people is achieved through the distribution of a number of activities in major steps:

➜ "Decision Points" or "Major Step workshops": These are key planning forums that bring together the main stakeholders involved in each major step. These must be effective, transparent and representative. Here, outputs and outcomes of the activities of previous major steps are presented and adopted, followed by initial discussions on issues and missions for the next major step to implement. These workshops are strengthened by regular meetings of various dialogue structures: Municipal Council, LED Committee and dialogue groups.

➜ Inclusive Community Consultations: the Major steps workshops are followed by a process of community consultation decided at the local level. Participants to these meetings share information and develop ideas with their various constituencies and communities. The results of these consultations are then shared during the regular meetings of the relevant dialogue structures.

➜ Capacity Building Processes: Depending on local needs and resources, capacity building and networking activities are set up to facilitate effective dialogue and decision-making.

➜ Media Campaign: Also, depending on local priorities and standards, a media campaign is implemented throughout the process so as to ensure transparency.

➜ Progressive Development of LEDSAP Draft Chapters: After each workshop of major step, the mediation and technical support team (MTST) prepares a document based on the discussions that took place. This will therefore be part

of the LEDSAP chapters. In this way, the LEDSAP is formulated throughout the process and will only be subject to minimal review when compiled into a single document at the end of the process.

3.2 Steps in LED Implementation

The implementation of local economic development includes five major steps that are presented below:

1. Assessing the local economy; this includes quantifying local economy sectors and identifying interactions between sectors as well as those sectors driving the local economy.

The local economy assessment is the first major step in a local economic development (LED) process. The assessment involves measuring local wealth (production, stock of public and private capital) and the activities generating the latter. This is followed by the identification and understanding of the dynamics for structural changes (economic, social, and spatial) on which to build sustainable development and economic revival strategies. Then, simulations on economic and spatial changes are carried out to construct a plausible vision of the future capable of serving as a framework for political dialogue at the local level and with external partners (Central government, development partners, and decentralized cooperation agents).

After the assessment of the local economy, a preparation period commonly known as "organising the effort" starts. This phase includes communicating on the importance of the process, setting up the various LED structures needed, adopting a timetable for the process, and training the main stakeholders.

The planning of the whole process proceeds as follows:

I. Planning the elaboration and development of the strategy and the action plan for the local economic development (LEDSAP): clarify exactly what is needed and how each of the small steps actually fit into the major step.

II. Organizing and planning the dialogue process: which actors will be involved, who is doing what, where and how.

III. Defining the scope of LED in the locality and the relationships that can be established between LED and other development processes taking place in the city and its hinterland.

IV. Establishing institutional structures constituting the LED committee, formalizing the establishment of the MTST, starting up the media campaign and drafting the Chapter 1 of LEDSAP.

V. Summarizing knowledge: validating step 1 (assessment of the local economy, including the SWOT) of the LED Strategy and Action Plan by the MTST.

VI. Having a first understanding of the resource needed for the strategy.

VII. Agreement on the criteria and process for selecting and prioritizing projects.

VIII. Developing the programme.

IX. Training key actors: the MTST, the City Council and the LED Committee.

2. Moving from knowledge to vision, and then programmes: defining the vision, moving from vision to objectives, and from objectives to programmes

The second major step concerns the definition of the vision and programmes. It begins with the workshop with the LED Committee, the main stakeholders who could be part of dialogue groups and invited resource persons. The main mission is to validate, then prioritize the SWOT project and develop a vision and proposed goals. Mechanisms for applying, selecting, rating and prioritizing are discussed. Dialogue groups are then established to advance the process. Some programmes and projects are suggested.

Following the workshop, administrative arrangements, membership and agreed processes are recorded in the first chapter of the LEDSAP and the two prioritized SWOT are added to the chapter of LEDSAP on local economy assessment.

Furthermore, preliminary proposals for the vision and objectives are presented by the MTST as the first part of the vision to the project matrix. A community consultation process therefore analyses and suggests amendments to the discussion draft. During this process, dialogue groups are set up.

Finally, the results of the community consultation are discussed and agreed upon by the Municipal Council (s), holding discussions with the LED Committee during their regular meetings. Any amendment is then included in the first part of the Vision to the project matrix. This eventually becomes part of the Chapter 3 of LEDSAP.

3. From programmes to projects: prioritizing and selecting projects through dialogue processes

The third major step begins with a major workshop in which participate the LED Committee, dialogue groups and invited resource persons. The main goals of the workshop are to identify programmes and projects that can contribute to the vision and objectives already agreed upon. This is followed by clarifying the mechanism through which as well as the criteria by which new projects can be elaborated, evaluated and adopted in the future.

Following this workshop, a draft proposal of programmes and projects is written by the MTST. This proposal is then discussed in a process of community consultation. An additional brainstorming on possible projects already selected based on eligibility criteria will also be done.

The selected projects are subjected to a formal evaluation by the MTST. The evaluated projects are then returned to the dialogue groups for verification and approval in case there are disagreements or major resorts. All appeals are handled by the MTST as they are submitted. Once an appeal is sent, the final matrix of evaluated projects is presented to the LED Committee and the Municipal Council (s) for decisions. A list of all proposed community projects is prepared and distributed to dialogue groups for further deliberations.

4. LED strategy and action plan: defining the planning document and a charter, and their ratification by a public forum

The fourth major step consists in finalizing the chapters of the LEDSAP from various projects and contributions produced during previous Major steps. The MTST, together with the Municipal Council (s) and the LED Committee write the Charter which is a summary document of the LEDSAP. Once ready, the LEDSAP and the Charter are then presented to the community during the forum on local development.

5. Implementation and monitoring: developing systems to ensure the implementation of the strategy and monitoring and evaluation.

The fifth major step consists in bringing the strategy into operation. Once programmes and projects are selected, planning the implementation can now start. Strategy implementation depends on the approved Implementation Plan, which in turn is based on the Action Plan of individual projects. The Implementation Plan defines budgetary, procedural, institutional and human resources implications of the LED strategy. It is thus the integration point for all projects and programmes in a LED strategy. The Action Plan for each project defines a task hierarchy, responsible parties, a realistic time schedule, human resources, financial needs, funding sources, expected impacts and outcomes, performance measurements and monitoring and evaluation system.

The Implementation Plan is ultimately a mediator between the various projects and their action plans to ensure that they are not competing inappropriately for resources. It also provides information on the monitoring and evaluation for all parties involved, especially the officials of the local government whose responsibility it will be to account for the implementation of the strategy.

Finally, during the implementation of the LED process, monitoring and evaluation is important to take into account the difficulties encountered in the field and possible changes in the local and national contexts.

4. IMPLEMENTING LOCAL ECONOMIC DEVELOPMENT IN AFRICA

LED offers the possibility to implement both institutional and infrastructural strategies, enabling the development of local economic activities and attraction of businesses seeking a territory for their location. These measures therefore act as production inputs into the local economy. For local authorities, the development of existing local businesses and the attraction of new ones result in an increased tax base which is sustainable as long as the local economy remains lively and competitive. Increased tax collection makes public services possible, thereby improving the infrastructural environment for businesses. When adequately developed and implemented, LED becomes a virtuous circle that allows a sustainable local development.

Today, the issues of employment and income generation are more local than ever and this is increasingly reflected in the legislation on decentralisation in various African countries. More and better jobs and incomes together with an improved quality of life are the most important developmental issues in the developing world. These are ever more pressing needs for local communities and their leaders especially given the youthful nature of Africa's population. Addressing these legitimate needs requires bold strategies for promoting LED locally. Decentralization processes give a particular resonance to these needs, although meaningful fiscal decentralization is still to be realised.

Experiences of local economic development (LED) in Africa are diverse as shown in the comparative analysis of the national environment and local processes of LED in the following six countries: Senegal, South Africa, Uganda, Nigeria, Tanzania and Ethiopia.

4.1 Analysing the LED National Environment

Decentralization sets the context for local economic development and facilitates or otherwise hinders its implementation.

In Uganda, the Constitution establishes the principle of smart subsidiarity between different tiers of government. Articles 176-207 of the Constitution clearly define the powers of the central government and deduce those of local governments. Indeed, the Constitution states that all other functions and services not listed in the powers of the central government fall on local governments. The boundary of competences is not waterproof and allows flexible and scalable implementation of the subsidiarity principle based on the national or local socio-political and economic context. Uganda is an example of successful decentralization of sectoral policies. Local governments directly receive the appropriations to cover the transferred responsibilities in their budgets. In addition, conflicts between local authorities and decentralized State services are rare. Indeed, Uganda has a low decentralization (although in recent years there has been a tendency to re-centralization in some areas). In this country, the jurisdictions of decentralized administrations do not necessarily cover those of local governments; risks for conflicts of jurisdiction are therefore very limited.

Meanwhile, the Ugandan Government has developed a strategy for local economic development, entitled Strategy for Promoting Investment and Local Economic Development in Local Governments. This Strategy aims at contributing to poverty alleviation by focusing on (a) improving local governance for sustainable local economic development, (b) job creation, (c) increased production and productivity for local businesses, (d) increased revenues, (e) and increased the tax base of local governments in order to provide basic local services. The development of this strategy was driven by the

Ministry in charge of local governments, with the support of the Belgian Technical Cooperation. In the same vein, the Ministry identified and documented about 17 LED projects and programs being implemented at the local level in 2007.

The most meaningful action by the Ugandan Government is the review of decentralization policy's objectives to include local economic development. Thus, in 2007, a sixth objective entitled "Strengthening local economic development to increase local revenues and the tax base" was added. This significant breakthrough changes LED into one of the major objectives of the decentralization policy.

In South Africa, the Constitution provides for three tiers of government, namely the Central Government, Provinces and Local Governments. The powers of local governments are detailed in Articles 151-164 of the Constitution. Better still, additional powers are provided as institutional capacities of local governments are built. Indeed, section 156.4 of the Constitution stipulates that the central government and provinces delegate some of their duties to municipalities, provided that they have the capacity to assume these responsibilities. The delegation process is done gradually as the capacities of municipalities are built, as well as their financial viability improved.

The policy framework for local economic development is set up by the Constitution, including section 152 (c) and 153 (a); local governments must "promote economic and social development" as well as "structure and manage their administration, planning and budgeting processes to prioritize the community's basic needs and promote the community's social and economic development"; the Reconstruction and Development Programme prepared by the ANC in 1994 implicitly referred to the LED concept through communities and grassroots initiatives' supporting programme; it was then within the "Framework for Urban Development" and the "Framework for Rural Development." At the end of the Reconstruction and Development Programme, these functions were taken over by the Department of Housing and the Department of Land Affairs.

The implementation of the Integrated Development Planning (IDP), which is the basis of intergovernmental planning between ministries, provinces and local governments, is a significant step forward. This instrument aims at promoting economic development and adjusting spatial and transports planning, developing and managing infrastructure with appropriate financial mechanisms. The White Paper on Local Government (1998) introduced the concept of "developmental local government", defined as "a local government committed to find, with people and groups, sustainable solutions to their economic, social and material needs and improve their living conditions." While clearly stressing that "local authorities are not directly responsible for job creation", the document states that they are responsible for setting up the conditions for an economic and social environment conducive to job creation throughout the territory.

Since 2000, new policies instruments have been added to the LED policy framework. Thus, the "LED Guidelines to Institutional Arrangements (2000)" and the "Draft LED Policy" emphasize on a more community-driven approach to LED, thus reinforcing the "pro-poor" and marginalized groups' orientation of the process. The "Policy Guidelines for Implementing LED in South Africa (2005)" and the "National Framework for Local Economic Development (LED) in South Africa (2006-2011)" focus on the conditions for implementing local economic development. Consequently, this second paper identifies four areas of intervention: (a) improved good governance, providing local public services, building the trust of the public and the private sector in local authorities, (b) developing the comparative advantages of local governments and spatial planning, (c) business services, and (d) developing sustainable investment programmes for the community.

In Senegal, the adoption of the municipal administration and regionalization Code in 1996 launched the revival of the decentralization process and gave rise to the development of an important legislation and the transfer of nine core responsibilities to local governments. However, it must be acknowledged that the implementation of some provisions of the law is not yet effective, since some of the decrees of application needed for their implementation have not yet been adopted. Law No. 2001-03 of 22 January 2001 on the Constitution of the Republic of Senegal states in Article 102 that "Regional and local governments are the institutional framework for citizen participation in governance. They are freely administered by elected assemblies. Their organization, composition and functioning are set up by law. "

The national institutional environment is marked by a national unifying framework, that is, the National Programme for Local Development (PNDL). Its objectives are: to increase access to basic social needs through interventions with direct and indirect effects; Increase access of the poorest populations to income-generating activities through existing micro-finance organizations and savings and loans associations; Build the capacity of the State and other actors for implementing the local development strategy; Build the capacities of local actors. It is implemented through three instruments: the Participatory Local Development Programme (PDLP), the Assistance Programme for Local Economic Development (PADEL) and the Community Track Project (PPC).

The Participatory Local Development Programme (PDLP) is implemented through three components aiming at supporting the PNDL. The first is entitled, "Support to decentralization, devolution and participatory local development policies", the second component is entitled "Financing Local Development", and the third component is entitled "Capacity building for decentralization, devolution and participatory local development".

The PADEL/PNDL strategy of intervention is articulated around two strategic axes: the first corresponds to the need for the decentralization process to resolutely take a more economic path and the second aims to give local governments and communities the toolkits and financing instruments necessary to stimulate their economy so that they can take part significantly in the strategy of accelerated growth and poverty reduction.

As for Community Tracks Projects (PPC), they aim at revitalising the rural economy, reducing poverty and improving the living conditions of the people by improving accessibility to rural areas. These tracks are of a priority nature because of the positive impact they generate by connecting the main secondary economic poles of the country. They produce a domino effect on the public investment expenditure in job creation, provided that possibilities of local manufacturing of the inputs exist.

Ethiopia has a federal structure with 9 federal regions, 928 local governments and two cities with a particular status comparable to that of the federal regions (Addis-Ababa and Dire Dawa). The country has an integral decentralization with elected local councils and executive officials throughout the country. The Ethiopian Constitution is neutral as far as local government is concerned and there is no chapter that deals with decentralization and/or local autonomy. This neutrality of the Constitution assumes that legislating on local government is the responsibility of regions and not of the federal state. Each region is expected to work out its legislation on local government by taking account of its own context. For this reason, the legislation is not always coherent from one region to another and harmonized with the national level. Generally, however, Ethiopian local governments tend to be responsible for the provision of education, health, justice and security. They provide and maintain urban roads, the drainage, the collection of solid waste and hygiene.

Even if there is no clearly defined national policy concerning local economic development in Ethiopia, national strategies such as the “Sustainable Development and Poverty Reduction Programme (SDPRP)” and the “Plan for Accelerated and Sustained Development to End Poverty (PASDEP)”provide a framework which can be used for LED promotion. The SDPRD seeks, on the hand, to generate growth in rural areas and in the private sector thereby creating jobs and generating incomes; and on the hand, to build the capacity of public institutions to deliver basic services. The SDPRD is expanding its areas of intervention to include the marketing of agricultural products and the improvement of public finance towards achieving the MDGs. The PASDEP puts emphasis on infrastructure, human development, rural development, food safety and capacity building.

In Nigeria, the Constitution of 1999 is the base of decentralization; the Constitution recognizes three levels of governments, which are the Federal State, federated states and local governments; and specifies their roles and responsibilities. However, the Constitution grants federated states the latitude to adopt legislations specific to the local governments of their jurisdiction. Each State thus defines the framework of operation of the local governments within its jurisdiction as well as the oversight powers to be exerted over them. This situation whereby the laws regulating local governments change depending on States creates an unquestionable degree of instability and inconsistency in the decentralization process. Local elections for example are organized on different dates in the federated States and the mandates of the elected officials are different from one State to the other. The scope of oversight powers over local governments and the responsibilities assigned to them equally differ from one federal state to the other.

The division of national revenue between the three levels of government is clearly stated in the Constitution. Rules are also fixed at the level of the States to organize the financial relations between the federated State and the local governments. The National Revenue Mobilisation Allocation and Fiscal Commission (NRMAFC) establishes each year, the basis of the allocation of the national revenue between the Federal state, the federated States and the local governments, in accordance with the provisions of section 164 (1) of the constitution of 1999.

Since 2004, the country has adopted the Nigerian Economic Empowerment and Development Strategy (NEEDS) which aims to reinforce national development and reduce poverty. This strategy is replicated on the other levels of government (State Economic Empowerment and Development Strategy, SEEDS, for federated states; Local Economic Empowerment and Development Strategy, LEEDS, for local governments; and Community Economic Empowerment Strategies, CEEDS, for communities).

In Tanzania, the policy of decentralization was developed in the 1990s and was part of a broader public service and economic liberalization reform in the country. Since 2000, the decentralisation policy was supplemented by the Local Government Reform Programme, LGRP. The Constitution of Tanzania refers to decentralization in its articles 145 and 146 (chapter 8). The country being a bipartite confederation, legislations on local government vary depending on whether one is in mainland Tanzania or in the Island of Zanzibar. This duality of legislations on decentralization, on mainland Tanzania and in Zanzibar gives room to instability and inconsistency within the institutional framework of local governments of the country. Tanzania is one of the few African countries where local governments have a total autonomy with regards to levying taxes. This power to levy taxes is subjected in theory to the prior approval of the Ministry in charge, but in practice, this is not observed.

In Tanzania, several national strategies and policies offer frameworks that can be exploited to promote local economic development. These are, among others, The Development Vision 2025, The Decentralization Policy and Local Government Act (1982), the Local Government Reform Policy (1999), the National Economic Empowerment Policy, and the National Economic Empowerment Act (2004). The latter generated many strategies and programmes for private sector development, land security system, a National council for the private sector, the National centre of Investment, etc.

As can be seen from the above discussion, the national context within which decentralisation unfolds is important. The success or failure of LED largely depends on the extent of responsibilities delegated to local governments as well as on the transfer of the financial and other resources necessary to implement these responsibilities. Many of the constraints on LED implementation relate to the national institutional framework and will be addressed in the recommendations.

4.2 Analysing the processes of the local economic development

In the selected countries – Senegal, South Africa, Uganda, Ethiopia, Nigeria and Tanzania –local economic development experiments are under way. However it is worth noting that, overall, the implementation of local economic development remains very limited except for South Africa which has a number of programmes and projects. The analysis of LED initiatives currently implemented in the selected countries will be done in accordance with the 10 criteria defined by the United Cities and Local Governments of Africa (UCGLA/LEDNA). These 10 criteria are considered as cumulative requirements that must be met for a project to qualify as a LED project.

These criteria were analyzed in the LED stocktaking exercise conducted in these countries and the percentages reported below are from the individual national reports that were developed.[2]

A strategically planned process – In most countries, strategic planning is one of the ingredients of LED projects and programmes. It is articulated around the definition of a vision and various objectives and programmes for it materialization.

In Senegal, 80% of the local economic development processes adopt a process of strategic planning; in Ethiopia, it is a little more than 86%. In Uganda, South Africa, Tanzania and Nigeria, all LED processes are planned strategically. Strategic planning has its constraints. It is often very difficult for the local actors to project themselves over decades when the environment forces them to make day to day strategies of survival. It is important to keep in mind the long term structural questions which determine the future of a local economy in order not to focus only on immediately pressing and occasional issues which may not have long term impact.

Based on a territorial approach – The territorial focus is one of the essential conditions for LED. The process must concern a well defined geographical zone whose stakeholders get involved in a set of economic actions aiming at building a common future. Today, the territory has institutional legitimacy; it is an entity (local government) having legal personality and autonomy within the framework of decentralization. The level of territorial decentralisation is different according to the division established in various African countries and it is often the articulation of these levels which poses problems.

In South Africa, Uganda, Nigeria, Senegal and Tanzania, the territorial base is adopted in all LED approaches; and this is not the case in Ethiopia where 8% of the LED projects and programmes do not have a circumscribed territorial approach. There are several constraints relating to the question of territorial focus. The first is related to the functionality of space. Local economic activities ignore administrative borders and unfold at the level of "economically functional spaces". Economic activities typically go beyond the territory of a single local government. This is why the economically functional space dimension is crucial and compels us to take into account urban and rural spaces, particularly in the African context where both spaces are inextricably linked. The second is related to the determination of the relevant territorial level where to implement LED (local or regional). This question arises especially in countries where there are several level of territorial governments (community units, districts, regions, departments, etc) and where planning articulation between the various levels, such as the Integrated Development Planning in South Africa, does not exist.

Locally owned, designed and delivered – Decentralization promotes the free administration of local governments and their autonomy in decision taking. This implies flexibility for local populations to define and be part of the elaboration of their development strategies.

In all the 6 countries, LED programmes and projects are not locally controlled; the strongest percentages are found in Ethiopia and Senegal which display 75% and 80% respectively.

[2] United Nations Capital development Fund, UNCDF (2008), Country State of LED Draft Report TANZANIA
Claire Patterson (2008) GTZ, Country Report Local Economic Development in South Africa
Augustus Nuwagaba (2008) Country Assessment report on state of local economic development in Uganda
GTZ (2008) Stocktaking of Local Economic Development (LED) projects and programmes in Nigeria
Adam Domanski, Shari Budihardjo-Weigant, Nathan Bowditch, Philip Schwehm (2008) Country State of LED Report SENEGAL Research Triangle Park, North Carolina, USA
Adam Domanski, Shari Budihardjo-Weigant, Nathan Bowditch, Philip Schwehm (2008) Country State of LED Report Ethiopia, Research Triangle Park, North Carolina, USA

The local piloting of the LED process is not always effective in the countries. The main problem encountered is the lack of capacity at the local level particularly with regard to the control and monitoring of the LED process. The local managers must be trained in the implementation of a participative approach involving the entire population; the will to do this can be hindered by the capacities of the elected officials as well as their legitimacy. The local government staff whose responsibility is to ensure the control of the process is not always adequately trained. In the countries concerned, these constraints constitute a limit to full ownership, piloting and implementation of LED processes.

Best achieved through partnerships both for design and implementation – The local management of the strategy should involve all stakeholders (local government, community organisations, private sector, NGOs, professional organisations etc.) working together in partnership. There are three advantages to be derived from this partnership approach. Firstly there is a better understanding of problems leading to suitable strategies to solve them thanks to the implication of the beneficiaries in the process. Secondly, the partnership approach ensures greater ownership which can be a guarantee for the sustainability of the intervention. Thirdly, implementation is greatly facilitated by the fact that stakeholders are more inclined to invest their resources, time and effort in a strategy that they have contributed to design.

The countries reviewed have more than 90% of their LED programmes and projects implemented using the partnership approach. There are many constraints in the development of partnerships at the local level. Firstly some local managers consider the participatory approach as a threat to their jobs and see it as a reduction of their discretionary powers. Secondly, there is in some cases a total lack of confidence between local economic actors and local officials. Building confidence between these groups as well as between other actors is essential for the success of LED strategies.

Reinforced by integrated government actions; vertical & horizontal tiers – Local economic development should be integrated into initiatives of all tiers of governments. Vertically, LED should reflect and be reflected in economic strategies initiated by the central government as well as the regional government. Horizontally, the LED strategies of local governments particularly those which form an economically functional space must be integrated

In Tanzania, only 50% of LED programmes and projects show some level of interconnection with other programmes implemented at other levels of governments; this percentage is 90% for Ethiopia and Senegal. In practice however, constraints to the implementation of activities coordinated between many levels of government remain important. Multi-level territorial planning is not widespread, except for South Africa with the Integrated Development Planning and Nigeria with the interconnection between the Nigerian Economic Empowerment and Development Strategy (NEEDS), the State Economic Empowerment and Strategy Development, SEEDS; the Local Economic Empowerment and Strategy Development, LEEDS; and the Community Economic Empowerment Strategies, CEEDS. For horizontal planning on the other hand, most countries have adopted inter-municipality cooperation as an integration principle for the local governments.

Focused on enabling a conducive local business environment for all actors – Local economic development is based on the facilitation of local economic activities in order to create more jobs and to generate more incomes. The role of local governments in the local economic development processes is to make economic activities easier to undertake. It is the private sector that directly creates jobs and wealth. This is why establishing a more conducive environment for businesses is crucial for the success of the LED.

While the business environment dimension is generally taken into account in LED projects in South Africa, Uganda and Nigeria, this component is only integrated in 80%, 75% and 45% of the projects in Senegal, Tanzania and Ethiopia respectively. The establishment of a more conducive business environment at the local level is often confronted to the limits imposed on local government's actions by the national institutional framework. In many countries, national legislations were not reviewed after the decentralisation reform; thus the provisions of these legislations at times defeat the goals of decentralisation. For example, laws relating to investments (called "the Investment Code" in some countries) or to mining do not take into consideration the new powers granted to local governments. At present, few local governments have services dedicated to facilitating business establishment and development. Hence, the concerns of local businesses with regards to red tape remains marginally addressed.

Involves integrated interventions across multiple sectors – In traditional approaches to development, the reflection is centred on specific sectors; local economic development introduces a holistic approach taking into consideration all sectors. Concerns moves from a focus on sectoral development to the cumulative and mutually re-enforcing effects of all sectors on the local economy; the territory being the place where this cumulative impact is calibrated and maximised.

The overwhelming majority of LED projects and programmes in the 6 countries have sectoral integration components. But in practice, this holistic dimension encounters many challenges, especially in countries, like Uganda, where sectoral approaches to decentralization are implemented. In Uganda, the decentralization of sectoral policies is matched by financial transfer specific to sectors; nearly 90% of resources allocated to local governments go into sectoral expenditures. Often, as is the case in Senegal, State decentralized services prevent any sectoral integration approach at the local government level.

Involves calibrating interventions in hard, soft & institutional infrastructure - The traditional approaches to development were primarily interested in hard infrastructural development and seldom gave serious consideration to soft infrastructure and institutional development. For sure, LED is concerned about hard infrastructure but it also focuses substantively on developing the local government institutionally, improving local governance and building the capacity of local officials and staff who are to steer the LED process, etc. These institutional aspects are considered just as important as the provision of hard infrastructure. LED processes also emphasize the importance of social inclusion to ensure the participation of all segments of the population, including the marginalized.

This principle is the least present in the LED programmes and projects reviewed in the five countries. The organisational and human capacities of local governments often do not allow them to own and take the lead in the execution of their own projects. In Senegal for example, there are no national framework for job profiles at local government level and no training facilities for local government staffs. In Tanzania, a national strategy on capacity building for local governments is implemented within the framework of the Local Government Reform Programme, and local government job profiles are defined in the Local Government Staff Regulations, 2000 and in the Public Service Staff Regulations, 2003.

Prioritizes development and retention of local businesses and people – The race for attracting industrial activities appeared in retrospect to have been a disastrous experiment for local governments. Actually, many of the strategies used to entice new businesses can be overly generous in fact costing territories more that what is generated by these new industries. The new generation of LED approaches focus more on the development of existing local activities than on the attraction of new ones. This strategy appears to offer better prospects for sustainable local growth.

In Tanzania, LED initiatives are mainly geared towards the attraction of new activities; only a quarter of the programmes and projects reviewed focus on the development of existing activities. On the other hand, in Ethiopia and in Senegal, LED initiatives are mainly concerned with the retention and development of existing activities. In fact, all depends on the localization of the territory concerned; territories that are “landlocked” and little connected to the rest of the country and to the world choose to concentrate on the existing activities, while territories with better national and international “accessibility” tend to focus on attraction of new activities connected to the global economy. LED processes have sometimes to confirm to the position of the national law on investments that tends to favour the attraction of foreign businesses.

Projects are delivered by all actors public, private and non-governmental – It is key to the success of LED that all main actors who participated in the elaboration of the strategy are each assigned specific tasks in the process of implementation. In fact, one of the main arguments in favour of broad participation from the inception of the process is precisely to ensure this engagement of actors in the phase of implementation.

In Senegal, only 30% of the LED programmes and projects strive to ensure the engagement of all stakeholders in their implementation phase; the percentage is 75% in Ethiopia and 86% in Tanzania. South Africa, Uganda and Nigeria take this principle into account in most of their projects. One of the obstacles in the implementation of this principle is often the strong implication of donors in the process which often results in a focalisation on financial concerns which somehow overshadows the requirement of engagement of all actors in the implementation.

Another level of analysis of LED programmes and projects implemented in the selected countries can be done around the type of activities implemented. UCLGA has developed a number of themes in this regards. These themes are: Economic Governance; Enterprise Development; Livelihoods Development; Locality Development; and Workforce Development.

In South Africa, the three major experiments of local economic development are concentrated in three provinces: KwaZulu Natal, Eastern Cape and Limpopo. These programmes benefited from a substantial financial support of the European Union.

The Gijima programme in KwaZulu Natal was a six-year programme conceived to support the Province Department of Economic Development as well as other actors in the effective implementation of LED. The programme was launched in 2003 with a budget of 37 million Euros. The programme aimed at fostering local initiatives through an approach based on local demand and partnership. The programme focused on the following themes: livelihoods development (pro-poor local economic development); economic governance (building the leadership capacity of local governments in LED); enterprise development (to increase local competitiveness through partnership). The programme created a number of funds to facilitate support in specific LED domains. The first fund focused on improving the business environment and provided support to the provincial and local governments to initiate reforms in this direction. The second fund focused on boosting competitiveness and provided support to association intervening in investment promotion.

The Limpopo Local Economic Development Programme is implemented by the European Union in association with the Department of the Local Government and the Housing (DLGH) of the province. With 34 million Euros, the programme supports a range of projects in the rural sectors of Limpopo. The following themes are addressed: livelihoods development (Support to the Durable Economic Development of Communities); enterprise development (reinforcement of SMMEs local competitiveness); and economic governance (building institutional capacities for delivering LED). Three funding streams were set up to address: (1)the improvement of the local business environment and building local capacity around LED; (2) financing the initiatives of marginalized communities and the second economy; and (3) financing activities to improve the competitiveness of SMEs and assistance in developing business plans and conducting feasibility studies.

The Thina Sinako programme is a EU supported programme that has a budget of about 30 million Euros. The programme is a partnership between the EU and four participating departments which include the Office of the Premier, Treasury, Housing, Local Government and Traditional Affairs, and Economic Development and Environmental Affairs. The programme supports the development strategy for growth and poverty reduction in the Province over the period 2004-2014 (PGDP). It aims at stimulating innovation in the way in which LED is promoted facilitated and supported and focuses on three main themes: enterprise development (innovation); economic governance (institutional development and capacities building for the long-term effectiveness and the durability of LED); livelihoods development (raising awareness and sharing good practices). The programme has established three funds: one fund for local governments initiating actions to improve the local business environment; the second fund assisting the local private sector to take advantage of the opportunities contained in the provincial strategies for industrial development; and the last fund focuses on financial innovation and provides support to the SMEs and financial service providers to support the development of innovative loans.

In Senegal, half of the LED projects and programs are articulated around economic governance (local governance, capacity building of local actors on LED, strategies for the mobilization of local resources migrant integration, etc). Approximately 20% of programmes focus on business development; these include, among others, setting up business development services (BDS) centres, reinforcing local entrepreneurship, and fostering technological innovations. About 20% of projects are involved in locality development which mainly focus on infrastructures (roads, electricity, water, telephone, etc) and specific infrastructures for industrial zones. Workforce development is very marginally taken into account in Senegal; one finds elements of this in only 10% of the LED projects and programmes. Finally, none of the LED projects in the country focuses on livelihood development.

In Nigeria, local economic development projects do not involve workforce development (e.g.: vocational training youth, employment centres, or capacity building for informal sector actors) . On the other hand, 40% of the projects implemented in the country are related to economic governance (PPP arrangements, capacity building of municipal institutions in charge of implementing LED, dialogue between economic actors, trade unions and municipal institutions, etc). Enterprise development is treated in 28% of the LED projects; with emphasis on the development of the informal sector, local entrepreneurship and BDS centres. Locality development is treated only by 24% of the projects and concerns economic infrastructures, rehabilitation and restoration of sites, water and sanitation infrastructures, and natural resources management. Lastly, the Livelihoods development concerns only 8% of the LED projects in the country and focuses on reduction of socio-economic inequalities and the provision of basic services.

In Tanzania, 36% of the LED projects integrate an economic governance dimension (capacity building of the local actors, the institutional development of local governments and the establishment of platforms for dialogue between the various actors in LED) . 32% of the LED projects focus on locality development which involves mainly infrastructural development, natural resources management, housing and hygiene etc. Livelihoods development is found in only 23% of the projects (support to marginalised groups and assisting communities in managing natural resources). Enterprise development is treated only by 9% of the LED projects. These include value chain development, BDS centres. Lastly, none of the projects has a workforce development component.

In Uganda, the analysis of the various LED projects in the country shows that 68% of them have an Enterprise Development component. The enterprise development activities include entrepreneurship promotion, SMEs development, and capacity building for private sector operators. Livelihoods development appears in 18% of the projects (water supply, sanitation, transports etc) Economic Governance is treated in 9% of the projects and this concerns mainly capacity building for the local actors and strengthening local governments institutionally. Locality development is treated only in 5% of the LED projects in the country. This situation is paradoxical given the country context. In fact, the majority of LED projects in Uganda focus on the agriculture. Agriculture represents approximately 34% of the Ugandan GDP and the commercialisation of agricultural products faces serious obstacles linked to the poor condition of the road network and the lack of market and storage facilities.

In Ethiopia, enterprise development, is present in 33% of the projects (BDS, improvement to the business environment, local entrepreneurship and support to micro-enterprises of the informal sector, etc.) Economic governance and locality development are each taken into account in25 % of the LED projects. Economic governance is treated through activities relating to capacity building of local actors, local government capacity building in LED and resource mobilisation. Locality development is treated through the improvement of local infrastructures, housing and place revitalisation. Finally, livelihoods development and workforce development are each present in only 8% of the projects. Livelihoods development activities include the improvement of neighbourhood infrastructures and the supply of basic local services whereas workforce development concerns vocational training and capacity building of informal sector actors.

4.3 Lessons Learnt for Improved Efficiency of Official Development Assistance

The implementation of local economic development processes is supported mainly by the International community. Thus, the overwhelming majority of projects and programmes are financed by donors, one of which is the European Union. However there is significant room to improve, the support of donors in the LED process.

It is debatable if the methods and instruments of traditional co-operation are applicable to local government. The question is whether donors are simply applying the same instruments and methods of aid used for the central governments, or there is a process at work within the donor community to adapt the aid system to suit local government? This is an important consideration as applying the same instruments, whose negative effects have been raised in relation to the central governments, would likely produce the same effects with local governments. With this in mind it is important to develop innovative instruments for local governments taking into account their specificities.

With local governments which still have lower institutional capacities than Central Governments, the problem of the adequacy of instruments arises as we knows that donors are often the one dictating the solutions and the requirements; in other words, recipients are required to adapt to these instruments and not vice versa. If from this point of view, competition between local governments can have a positive impact on the development of their institutional capacities, there remains a significant risk that as observed at the level of Central Governments, aid does not help the local governments with low institutional capacities to develop; but rather those which already have a certain level of development.

One of the challenges which donors will have to address will be to reconcile the apparently contradictory requirements between the short time of projects and the long time of the development; this last aspect is all the more important, because local governments have an institutional capacity even lower than the Central Government. Indeed, the process of capacity building and empowerment of institutions is the cornerstone of development and requires the long-term commitments of donors. It will thus be necessary to find a formula which would allow departing from the logic of limited intervention that is perfectly illustrated by current instruments such as "the project".

The natural propensity of donor agencies to minimize risks and to maximize their control leads them, ironically, to centralize their local governments' support programmes with the risk of compromising local design and implementation. In other words, local design and implementation will be squeezed between the ownership of the recipients and the control of the donors. This problem of excessive control of aid has already resulted in an important damage to the development of the Central governments' capacity.

The main risk as regards excessive control is the development of the managing method of "projects" which bypasses local governments. The institution of project cells that should implement the interventions to the profit of the local government points out the same drift observed in the co-operation between donors and Central Governments. This practice would be all the more detrimental as the most important aspects of aid to local governments is the building of technical and institutional capacities. The risk that local governments become passive actors of aid is high as in this new co-operation the relationship of power will be even more negatively unbalanced for local governments than is the case of the relationship with Central Governments. What is the weight of a local government in the South in terms of financial power vis-à-vis an international financial institution? If care is not taken, we will be moving towards an aid system that is imposed rather than desired.

The best way, in the LED process, of taking into account both the institutional and capacity building of local actors and secondly strengthening municipal institution is decentralized cooperation. This is why the support of local governments with experience in LED to those who are engaging in the process is crucial. The recent South-South experience developed within the Commonwealth Local Government Forum (CLGF) - the Good Practice Scheme - between South

African and Indian local authorities shows the relevance of decentralized cooperation in LED and the undeniable benefits that this can yield. This finding is in line with the recommendation of African local governments expressed through UCLGA and which demands that 20% of European Union aid be channelled through Decentralized Cooperation.

Lastly, in Africa, the interactions city – hinterland are very important. Most activities taxed in cities are done in the hinterland (usually rural countryside). These interactions are the base of local economic development in most countries. This is why rural projects must be elaborated in relation to the markets, and the cities must be planned to serve their rural areas as well. This reality is often denied by donors with the setting up of "urban" projects and "rural" projects, in total contradiction with the fact that in Africa, one has one foot in the city and the other in the village. Local managers, especially the ones in medium and big cities know that addressing the future of their city requires not limiting oneself to working inside the urban perimeter. Urban prosperity depends mainly on what occurs in its close or remote hinterland, in particular the crucial question of the improvement of the general accessibility of the urban and rural markets. In the same way, rural local governments also know that cities constitute "the market" and that any local economic development strategy must be articulated there. Thus, if the city is the engine of development in a local economy, the fuel is in the primary sector that is substantially located in the hinterland.

If expenditure in the hinterland can have very considerable returns for cities (often more than if the expenditure were made in their centre), the legislative framework regulating the interaction between urban and rural local governments must be reinforced in order to enable action and planning at the level of economically functional spaces rather than only within the confines of one local government's territorial boundaries.

The main argument for a more substantial investment in LED is the impact of cities on national growth. Empirical studies demonstrate the role of cities as growth inductor poles, and the impact of urbanization on macro-economic variables. Any economic policy has a spatial dimension, because the national policies very often have strongly differentiated impacts according to localities due to dissimilarities in their characteristics. General measures can even induce in certain localities the opposite effects to those which the official policy endeavours to promote. Thus, decisions on national economic policies made at the national level, and related for example to interest rates, granting incentives to big companies, taxation and the price of inputs such as water and electricity have significant impacts on the productivity of cities. The period during which the economic neutrality of the space was assumed is now over with the increasing recognition of the effects of urbanization on national economic policies ("feedback" effects). It is indeed now largely admitted that economic growth comprises a spatial dimension because the localization of activities and people affects development. If it is established that the national economy defines the framework in which the economies of sub-national entities develops and operates, it is also true that the latter have a significant impact on national economies.

Finally, and more generally, assistance to LED should particularly take into account the national decentralization framework. Indeed, several constraints noticed in the field accrue from inadequate legal and regulatory provisions. In this context, legislative reforms to improve decentralisation and strengthen local governments are activities that should be supported by donors. Today, these innovative instruments are still to be developed, even if some of these concerns were taken into account in the new communication of the European Union on local governments. It is therefore important that instruments for supporting local governments which will be discussed and proposed in this workshop take into account the need for flexibility and adaptability for better aid effectiveness.

5. RECOMMENDATIONS FOR DEBATES

In economic terms, decentralization will be expressed more and more by the differentiated management of the national territory. The economic health of local governments is therefore crucial for national macroeconomic performances. The effective implementation of LED in Africa is confronted to many problems. The following recommendations for discussion during this workshop are articulated to address these problems.

5.1 Local economic development must be part of the national development strategy. In most countries, LED is considered an exclusively local instrument, having no relationship with national macroeconomic tools; it is considered as an issue for local governments only. In most countries the relationship between local economic development and national development and the involvement of the Ministry of Finance and/or Economy in the country is not clearly defined . This can be addressed through better vertical and horizontal coordination.

International cooperation partners such as the European Union can encourage central government to effect this paradigm shift. There is need for better alignment between LED strategies' and national development strategies. This can be done through the assessment of LED strategies and relating them to national development strategies so as to provide evidence that national economy is the congruence of local economies, the health of the former being affected by the competitiveness of the latter. This research effort should also focus on the impact of including specific spatial elements in national economic planning.

5.2 There is need for more support for LED capacity. This includes reinforcing the capacities of local government leaders and managers as well as the institutional capacity of the local governments themselves. There is also a need to reinforce the capacity of the private sector and local communities who are key players in the successful delivery of LED. This can be done through sustained capacity development programmes for LED through a series of workshops, peer to peer learning and through municipal partnerships. Project management and community participation skills also need to be developed to address LED capacity issues in a holistic manner.

That is why it is important to organize training on project management for LED processes to the attention of decision-makers (local elected representatives and central government officials). These workshops should focus on understanding LED promotion processes, organizing their implementation, defining and monitoring the various stages of the LED process, identifying decision points and necessary arbitration. On the other hand, it is also essential to organize workshops centred on project management to the attention of experts (managers of local and central governments, NGOs' leaders and representatives of advisory offices, teachers and researchers). These workshops shall aim at getting participants to know the different LED experiences and different methodologies implemented around the world, so as to draw lessons for these methodologies to fit into African contexts.

5.3 Local Economic information is key in the planning and implementation of LED. Local economic development strategies should be based on local economic information in order to be sustainable and relevant. However, currently, the information needed to identify and evaluate actions to undertake locally is generally insufficient or nonexistent. The generation of information and the dissemination thereof is important in the development of a credible LED strategy and its implementation.

Indeed, decentralization of economic and social information did not follow political and administrative decentralization. There is need to ensure that there is a spatial dimension in the national information systems. The availability of information right up to the local level enables local governments who are responsible for local development and local stakeholders especially business to have access to local social and economic information. Access to local information enables local governments to develop, implement and evaluate local economic development strategies more effectively. On the other hand, in its mission for national stabilization and redistribution, the Central Government must have local development indicators, especially since differences in the structures and evolutions of sub national areas will increasingly be pronounced.

Given the centrality of information in LED it is important to strengthen the local economy assessment, a preliminary condition for any LED approach. This will be achieved by adding a spatial dimension to social and economic country information systems. It calls for a deep overhaul of information systems set up at the era of centralized national economic management.

5.4 Raising subsidiarity levels in public expenditure is key in the promotion of LED. Local authorities must implement at least 25% of public expenditures as local expenses contribute to local economic development. Efforts to mobilize local resources should be broadened and reinforced. To achieve this, local governments should ensure community participation in budgeting and should account to their populations .The key message should be that taxes are not "lost" money; local public expenditure is money injected into the circuits of the local economy which enables the operation of several industries. Communities should be informed that , through public expenditure, taxation is an important tool for local economic revival. This taxation pedagogy must be at the centre of strategies for local resources mobilization so as to mitigate the effects of tax incivility that excessively undermine local governments' financial autonomy. A local authority that collects, spends to improve the quality of its public infrastructure and develop its economy and thus will collect more. Local governments' inability to spend is causing a vicious cycle in which poor living conditions leads to stagnation or worse to relative regression of the local economy. The less a local government collects and spends, the more its population become poorer.

5.5 Community participation in governance processes is key in the success of LED. It is important for countries to adopt policies and legislation on community participation and enforce them. The participation should concern both the development of the strategy as well as the phase of implementation. Indeed, how many strategies were developed, yet were never implemented due to the reluctance of the population left aside during the initial phases! The organization and conduct of this ongoing dialogue between the various local stakeholders should be done within the framework of a permanent consultative body set up for this purpose in order to create a local coalition. The establishment of this local body responsible for conducting debates, focusing local stakeholders towards consensus and monitoring the implementation of the local economic development plan will enhance good local economic governance and transparency.

As far as local economic development is concerned, local elected officials have realized that elective democracy and participatory democracy are not contradictory. Even though elected and having been given a mandate, local officials must still continuously seek advice from their populations in the areas of local public services and local economic development strategies rather than acting in isolation. Today, examples of local economic development strategies developed and implemented thanks to the participation of the people exist in Africa.

5.6 Public procurement is important in promoting local economic development. More than two-thirds of government procurement in a local government is made by external companies, usually coming from the political and/or economic capital city. This is not likely to enhance the impact of local public expenditure on the local economy, given that these companies tend to import both the labour and goods needed for the execution of these procurements. The higher the proportion of imported goods involved in public expenditure, the less favourable it is for the local economy.

Decentralization and execution of government procurement must be better articulated to serve local economic needs. While equal access to government procurement is one of the foundations of a country's economic life, the concept of equity should be more and more emphasized. In the current state of affairs, national companies have comparative advantages that allow them to have greater access to local procurements compared to local companies. Decentralization of government procurement should be an essential complement to local economic development.

5.7 Reviewing the investment code. As developed and implemented, investment codes are constraints to the implementation of a conducive environment for LED. Firstly, although they apply to territories with well-defined location, these codes are developed without any consultation with local governments, even as they have differentiated impacts – in terms of infrastructure and induced equipment – on the structure, quantity and quality of some local public services offered by local authorities. Besides, these investments are generally exempt from national and local taxation and the Central government does not compensate the tax lost to local authorities.

The investment code should be reviewed in the light of decentralization to ensure better coordination with local economic development processes. Indeed, the investment code should take into account the priorities of the existing LED processes. Local economic development processes should also take advantage of national opportunities offered by the investment code. On the other hand, improved articulation between LED processes and the investment code would lead to greater partnership between all tiers of government.

5.8 Reviewing the mining code. Africa is characterized by abundant natural resources of all kinds. The conditions of the exploitation of mines are defined in the Mining Code, whose objective seems to be the provision of a good number of facilities and exemptions. These codes existed before the advent of local governments and were not reconsidered following the adoption of decentralization processes. Territories housing these activities suffer from side-effects like pollution and do not benefit from positive impacts of such exploitations.

The mining code is currently one of the main bones of contention between the central government and regional and local authorities in most countries. Generally, benefits accruing from the extraction of natural and mineral resources are largely accumulated at the national level, while the local authorities hosting the exploitation of such resources have little benefits. As implemented today, the mining code is a major constraint to local economic development.

5.9 There is need to create an environment where local governments can get access to loans and autonomy to levy and expend to promote local economic development. Access to loans and autonomy to levy and expend is tightly controlled by national political leaders, especially ministries of finance. Within the framework of structural adjustment, the use of loan, expenditure and levy by regional and local authorities is seen as capable of weakening the national macro-economic management.

Local governments' economic activities are not antithetical to the effectiveness of national macroeconomic policy instruments. It is possible to build another national macroeconomic approach more concerned with local governments' economic activities within the framework of decentralization. The joint use of these instruments by the two levels of governance (local/regional and Central) can be conceived to ensure greater effectiveness of Government as a whole. Economic decision is increasingly becoming territorial and the local space is becoming a strategic space for steering the economy; this suggests the reshaping of national macroeconomic management instruments.

5.10 Knowledge production, management and dissemination is important in promoting and sharing experiences on LED. Sharing of good practices helps to bridge the information and knowledge gap (what is LED, how to implement it, methodologies, field processes, etc.)

To achieve a higher level of good practice sharing, all LED experiences, methods and practices underway in the continent should be collected, compiled and shared with all the protagonists in Africa.

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