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© Yann Arthus-Bertrand/La Terre vue du Ciel - Traditional village north of Antananarivo, Madagascar (18°49' S - 47°32' E)

Special issue in support of the

**Inter-Agency Conference on
Local Economic Development (LED)**

Knowledge sharing and partnership building to boost local economies,
create employment and reduce poverty

Turin, Italy, 22 - 24 October 2008



The Delnet Programme of the International Training Centre of the International Labour Organization (Delnet ITC/ILO), a specialized Agency of the United Nations, supports and assists the local actors in the promotion of the territorial development processes since 1998. Delnet addresses technicians, managers and officials of public and private institutions involved in local development and decentralization processes. It offers training, information, technical advice and networking tools, through the use of most updated Information and Communication Technologies. Delnet brings together more than 2,500 institutions in 75 countries all over the world in English, Spanish and Portuguese languages.

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© Yann Arthus-Bertrand/La Terre vue du Ciel - Earth from Above

Traditional village north of Antananarivo, Madagascar (18°49'S, 47°32'E)

Not only is Madagascar one of the world's fifteen poorest countries, but in 1998 it had the lowest levels of health spending in Africa, at \$15 per person. Despite this inadequacy, Madagascar is one of the few countries in Sub-Saharan Africa that has largely escaped the HIV epidemic. This illness, now in its third decade, has taken on frightening proportions in the continent. In 2002, more than 39 million Africans were living with HIV, a number comprising 70 percent of the people infected in the world. In the same year, 2.4 million people in Africa died from it—compared with 8,000 in Western Europe. In four southern African countries, the rate of HIV infection in adults is climbing at alarming rates: 38.8 percent in Botswana, 31 percent in Lesotho, 33.4 percent in Swaziland, and 33.7 percent in Zimbabwe. Loss of life has been so high that it has affected the continent's economy and led to food crises. The HIV phenomenon has not yet reached its peak, and the international community—governments, nongovernmental organizations, media, and international institutions—has yet to find a way of dealing with this disaster.

Since 1990, Yann Arthus-Bertrand has been flying over a hundred countries. His aerial photographs, which cannot be dissociated from their captions, invite all of us to reflect upon the Earth's evolution and the future of its inhabitants. Over the past 50 years, humans have changed ecosystems more rapidly and extensively than in any comparable period of time in human history. Limits to our planet's ecosystem appear everywhere: fresh water, ocean water, forests, air, arable land, open spaces... At this critical stage, the alternative offered by a sustainable development policy should help to bring about the necessary changes in order to “meet the needs of the present without compromising the ability of future generations to meet their own needs.” Each and every person can and must act and contribute to the future of the Earth and mankind, starting right now.

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This document can also be found on the following web sites: <http://www.ledknowledge.org>, <http://www.ilo.org/led> and <http://www.itcilo.org/delnet>.

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 **@local.glob** (Global Thinking for Local Development), launched in April 2005, is produced by the Delnet Programme of the International Training Centre of the ILO with the aim of providing, in each issue, a forum for opinion, exchanges and thinking on processes of decentralisation and local development in a globalised world. The local and the global interact are both a cause and an effect of debate, analysis and reflection on the complexity of our world.

Local development came to the fore many years ago by the practical route, when local actors began to face specific problems concerning the management and growth of their territory. The international community now officially acknowledges the key role played by local government in implementing sustainable economic, social and environmental development policies.

We at **@local.glob** believe that we must go a step further and put local development at the top of the agenda, giving it the role it should play in a globalised world. Sound thinking arising out of the experience of local actors throughout the world must be created and reflected in concrete regional development policies. A theoretical framework is also essential to ensure that local development policies are effective. It is also crucial, however, for this theoretical framework to be underpinned by concrete experience, sound decisions and failures, and the lessons not only of best practices but also of mundane errors.

Each issue appears thanks to the cooperation of people and institutions whose daily work demonstrates their great commitment to decentralisation and local development, by making their vast theoretical and practical experience available through their articles and supporting this forum for constructive dialogue, reflection and participation.

***L**ocal economic development (LED) initiatives have a long history. In recent years, national Government and international agencies have increasingly provided targeted support to boosting local economies and job growth. Support and partnerships ranges from initiatives in small-scale community development to long-term assistance programmes to improve local and regional competitiveness for poverty reduction.*

The common element among these approaches is the recognition of the specifics of localities and the uniqueness of local assets. The distinctive characteristic of LED processes is participation, ownership and dialogue between local public and private actors. The overview presented in this Conference Reader illustrates that there are different approaches to LED and different entry points for starting an LED process. What links these together is the common concern for making local economies robust and creating productive jobs and incomes for local populations and also the recognition that local or regional competitive advantage rests on local interactions, knowledge spillovers and institutional synergies.

In times of global economic turmoil local governments are compelled to find new solutions to support the competitiveness of their industries and create inclusive job rich growth. Their challenge is to turn comparative local endowments into regional and global competitive advantages, building on local entrepreneurial talent, skills of the local workforce and to attract inward investments. In support of these efforts development agencies have promoted expert networks and knowledge platforms resulting in growing communities of LED practitioners. The linking of these networks facilitates a more structured sharing of tools, documentation of good practices and development of guidelines.

In this context the ILO in collaboration with OECD/LEED has taken the initiative to organize this inter-agency conference to take stock of LED practices and to develop strategies for knowledge development and coordination between agencies. The Reader has been jointly prepared by the Job Creation & Enterprise Development Department of the Employment Sector and the DELNET Programme of the International Training Centre of the ILO.

Along with the proceedings of the LED Conference the Reader provides a valuable resource for policy makers and practitioners alike. I truly hope that you will enjoy this publication and the LED conference!

*José Manuel Salazar-Xirinachs,
Director, Employment Sector of the ILO*

Local Economic Development: challenges and opportunities



- **Jens Dyring Christensen and Kees van der Ree - Building inclusive local economies through promoting decent work**
- **Francesca Froy - Skills for competitiveness: anticipating change. Learning from the OECD LEED Programme**
- **Aladeen Shawa - The role of local government in the promotion of local economic development. An evolving UNCDF approach**
- **Fabio Russo - UNIDO's approach to cluster development**
- **Claudio Cortellese and Robert Daughters - Promoting competitiveness through integrated local development initiatives**

Building inclusive local economies through promoting decent work

Jens Dyring Christensen and Kees van der Ree
Local Economic Development Programme (LED)
Job Creation and Enterprise Development Department, ILO

The relevance of LED in a globalising world

One of the key characteristics of globalisation is that markets have become more pervasive and are affecting countries simultaneously across the world. At the same time, information technology and better access to resources are allowing for more diversity and choice. Consequently, development strategies now need to pay more attention to the specifics of nations, regions and localities.

The overall understanding of the parameters of successful national growth and poverty reduction strategies in various parts of the world¹ has advanced greatly, but this in itself is no longer sufficient for success at local level. While some regions have successfully pursued strategies leading to prosperity and better jobs, there are others that have not managed to adapt to globalised markets. This is not a phenomenon restricted to rural areas with lack of infrastructure or low-yielding agriculture: even growing cities have to devise strategies for local economic development that benefit all their residents².

What is becoming decisive for sustained success is adapting policy to local circumstances. The key challenge facing local economic development (LED) practitioners now is how to make the most of local resources in a way that improves returns from global markets. This has to be done in a way that it is compatible with both national policies and local realities, and allows for the sustainable management of local resources.



November Harvest Valley colors in Ramechhap, Nepal

The unifying forces of globalisation have, paradoxically, led to a stronger sense of territorial identity. Because the world looks more and more the same everywhere, people have a stronger need to emphasise their difference. Perhaps the most noticeable expression of this is in the voices advocating the independence of local policies and culture. An example is the rising popularity of the Slow Food movement³ which is not only a reaction to fast food, but also a reflection of the higher value people place on authenticity, heritage and traceable roots. At a time when there is wide consensus that national development policy should encompass key areas such as investment, infrastructure, innovation, child nutrition and basic education – to name a few – it is proving increasingly difficult to achieve consensus on local endowments, among different cultures and institutions.

Comprehensive LED initiatives need multiple dimen-

¹ *The Growth Report: Strategies for Sustained Growth and Sustainable Development*, Commission on Growth and Development, 2008.

² See also: World Development Report 2009, *Reshaping Economic Geography*, (Forthcoming end 2008).

³ <http://www.slowfood.com/>.

sions: stimulating entrepreneurs and local firms to create and retain jobs, investing in human capital, devising strategic skills to upgrade programmes to serve the needs of young people, developing physical and financial infrastructure to allow for expanding local markets, and incorporating environmental, economic and social sustainability factors.

Features of the ILO approach to LED

The ILO's approach to LED includes all the above dimensions but adds a central objective – the creation of “decent work”. Decent work is defined as productive work that delivers a fair income and provides social protection and social inclusion. This means poverty reduction strategies for marginalised groups including indigenous peoples, and room for women and men to organise and express their concerns.

The ILO's goals for decent work have been translated into a Global Employment Agenda (GEA)⁴. Its core elements are:

- Promoting decent work as a productive factor;
- Creating pro-employment macroeconomic frameworks;
- Stimulating entrepreneurship and private investment;
- Improving productivity levels and economic and employment opportunities of the working poor;
- Working towards ending discrimination in the labour market;
- Promoting environmentally and socially sustainable growth;
- Ensuring that employability of workforces and adaptability to changing labour markets are key priorities of national governments.

LED is also a strategy to promote sustainable enterprises, which are enterprises that adhere to the environmental, economic and wider social objectives of sustainable development. At the heart of LED is the promotion of sustainable enterprises and skills development to enhance labour productivity and the competitiveness of

ILO's LED Programme in Argentina

In Argentina the ILO programme “Integrated Support for the Reactivation of Employment in Argentina” (AREA) works hand in hand with the Ministry of Labour, Employment and Social Security to provide technical assistance in three areas: employment services, vocational training and local economic development. A key aspect of the programme is strengthening the local labour market. This is done through skills upgrading (with a special focus on vulnerable groups), through improving employment services to better match local supply and demand, and through providing effective support services to micro and small enterprises, which are the main sources of job creation. Through this comprehensive strategy, AREA is contributing to recovering economic sectors, retraining workers with new skills, and providing more and better employment opportunities.

local small and medium enterprises. A positive synergy between productivity and competitiveness on the one hand, and the improved workplace practices of decent work on the other, is the key to linking economic to social concerns.

LED thus adds economic and social development to the ILO's decent work agenda, and this has become increasingly important as developing countries decentral-

ILO's LED Programme in Ghana

In Ghana the ILO has been supporting a district-level approach that brings together local authorities and small business associations in an innovative way. A Sub-Committee for Productive and Gainful Employment (SPGE) has been established as part and parcel of the District Administration, to institutionalise dialogue about economic priorities and the mobilization of financial resources. The SPGE has led the upgrading and growth of the small-scale palm-oil processing industry, the creation of new meat producing enterprises and the improvement of hairdressing and beautician services. More importantly, the number and role of small-scale business associations has grown sharply, and links have been created between business associations and health insurance schemes and credit unions. The success of the approach has triggered the Institute of Local Government Studies in Accra to promote the model countrywide.

⁴ <http://www.ilo.org/public/english/employment/empframe/practice/index.htm>.

ise and assign greater responsibilities to local governments for private sector development, skills education and labour market regulation.

To ensure positive outcomes for those marginalised by low levels of economic and social development, the ILO uses a participatory approach based on social dialogue. All processes are locally driven, and involve all local stakeholders – ranging from local government and the private sector to civil society and community organisations. Dialogue and participation ensure that the strategies designed eventually benefit all through more and better jobs.

Over the years, the ILO's work on LED has evolved from supporting LED in countries emerging from natural disaster or political conflict, to supporting poverty reduction through employment creation in countries as diverse as Indonesia, Sri Lanka, Mozambique, Ghana and Uruguay. Increasingly, these LED programmes are linked to national policy frameworks for employment creation. Since 2006, they have also been part of several One-UN frameworks⁵.

The diversity and inclusiveness of the ILO approach to LED is illustrated by how it also promotes the rights and development of indigenous communities across the world. ILO-LED strategies led by indigenous peoples build on their communities' cultures and their attachment to territories. Indigenous people possess local assets, skills and resources, and have valuable traditional knowledge and occupations, although these positive attributes are often discriminated against by other parts of society. The ILO supports indigenous peoples' rights to land, territories and resources, and the inclusion of indigenous institutions of governance alongside official local government structures. Support for indigenous peoples' local economic development is guided by ILO Convention No. 169⁶, which advocates a rights-based approach to development pursued in a manner compatible with indigenous peoples' aspirations and way of life. Indigenous peoples themselves refer to this approach as 'self-determined development' or 'development with identity'.



Market in La Antigua, Guatemala

Making LED work

The comprehensive nature of integrated LED requires the skillful blending of different fields of expertise and the pragmatic application of tools and methods. Clearly, no single entity can undertake such a task on its own. Indeed, the articles and interviews in this reader demonstrate that there are different approaches to LED and different entry points for starting an LED process. Within such richness and diversity, it is worthwhile extracting the common core principles for LED practitioners. These can be summarized as: (1) engaging in dialogue; (2) creating employment of high quality; and (3) generating public-private partnerships.

Dialogue: For the ILO, it is essential that LED involves dialogue between social partners and local actors. This entails not just participatory methods in planning and bilateral consultations, but a genuine effort to systematically mobilize the voice of all working people in the locality and adapting development scenarios to their aspirations. In informal and rural economies, this has to include organizing and strengthening representation among the poor by making them partners for development instead of recipients of aid. In more developed and formal parts of the economy, it means building stronger local labour market institutions and developing public-private partnerships that match skills with jobs, deliver infrastructure, and make business-to-business linkages.

⁵ For a more complete overview see <http://www.ledknowledge.org>.

⁶ For a more complete overview see <http://www.ilo.org/public/english/indigenous>.

SOURCE: MASSIMO DI NONNO/PROSPEKT



Workers in the carpentry of the space station Luigi Broglio, Ngomeni, Malindi, Kenya

Employment creation: The second principle of the ILO's approach to LED is employment creation and employment quality. While the attractiveness of LED is that it promises to deliver new and better jobs, there are many and varied ways to do this. What is needed is a solid strategy, based on a good understanding of local competitive advantages and what is needed to exploit these. In some cases the LED approach may be heavily weighted towards market competitiveness and economic goals that favour the input of the private sector over other stakeholders. In other cases, social goals may be put above economic efficiency and greater attention given to the needs and aspirations of previously excluded groups. Whichever approach is used, the common strategic element is sustainable economic growth and the creation of decent work opportunities, and rooting economic activity more firmly within the territory.

Partnerships: The third core principle is to bring together local actors in public-private-partnerships (PPPs). Such partnerships include representatives of government alongside employers' and workers' organisations. Social dialogue has to be facilitated among these partners, to include for-profit companies, non-profit organisations and civic groups. By involving a range of societal groups with seemingly contradictory interests in a collaborative decision-making process, successful LED initiatives build social capital.

Long-term institutionalised cooperation between public and private actors improves accountability and builds the trust and understanding necessary to find creative solutions to common problems. Sometimes public-private

partnerships can be embedded within existing institutions; in other cases a new local forum or agency may need to be created especially for this purpose. Regardless of the institutional form, the aim of a partnership arrangement is to bring about systemic changes in a region or locality. Partnerships often bring about benefits beyond the initial purpose for which they were created.

The importance of coherence and alignment

If an LED approach is to make a lasting contribution to the creation of sustainable and decent work in a given locality, it will draw on local, regional, national and international factors, all of which make up the enabling environment for LED. National governments can greatly improve the ability of local regions to tap into regional and global markets by decentralising power and resources and helping local entities acquire the necessary skills to effectively use these powers.

Local decision-makers are subject to a multitude of forces – national markets, global markets, national and local institutions, demands from local private and civil sectors. A well-coordinated and balanced LED strategy will bring all these elements together – along with employment policies, investment promotion, sector policies, enterprise creation, infrastructure development, gender equality and skills development – to meet both economic and social goals. However for such a strategy to work, it needs sufficient coherence with national frameworks, and alignment with other local approaches, especially those dealing with productive sectors such as agriculture, fisheries and industry. Success is possible only when there is the power to convene local residents, the capability to coordinate them, and the ability to create a vision that they share.

Agencies promoting LED must be able to persuade all involved that there is a need for an integrated approach which puts social goals on a par with economic efficiency, paving the road for a fairer globalisation.

For more information on the ILO's LED programme and projects, please visit <http://www.ilo.org/led> or <http://www.ledknowledge.org>. ■

Skills for competitiveness: anticipating change

Learning from the OECD LEED Programme

Francesca Froy

Policy Analyst

Organisation for Economic Co-operation and Development (OECD)

The promotional slogan of the state of Maryland's Workforce Investment Board (GWIB) is 'Workforce Development is Economic Development'. The sentiment behind this, that economic development should increasingly focus as much on human resources and skills as on infrastructure and inward investment - is apparent in all OECD countries. On the other side of the world, in Australia, the primary goal of the regional development agency in Griffiths, New South Wales, is now 'building workforce skills and education', followed by 'taking a proactive regional approach to meeting infrastructure needs' and 'implementing regional sustainability/growth management'. The increasing priority given to human resource development is understandable given that skills are more and more in demand within the knowledge economy. In OECD countries, 84 per cent of people who have achieved a tertiary education qualification are in employment. By contrast, only 56 per cent of people without even an upper secondary qualification have jobs (OECD, 2006a).

Today's knowledge economy is also characterised by rapid skills obsolescence. As business needs evolve at the local level, demands are placed on vocational education and training systems to develop their curricula, but such systems (many of which are relatively centralised in OECD countries) find it difficult to adapt fast enough. At the same time, many localities are experiencing problems due to an aging population, such as shortages of both labour and skills: when people retire they also take their skills and experience with them.

A further factor leading to the increasing importance, but also increasing complexity of human resources issues, is raising mobility. Legal international immigration has more than tripled in OECD countries over the last

twenty years. When people move, they take their skills and competences with them. This has an important impact, not only on the localities they leave behind (which may suffer due to a 'brain drain' or loss of skills) but also on the localities in which they arrive, which have to consider how to adapt the skills brought by migrants to their local labour market. At the same time, the people who do not move, particularly those at the lower end of the skills ladder may find themselves in competition for jobs with newly arrived populations that are willing to accept poorer employment conditions as they make sacrifices on the road to becoming integrated in a new country.

This problem is exacerbated because local employment and training services fail to recognise the skills and competencies brought by new arrivals, who therefore remain in low-skilled employment. Unless local policy makers take a longer-term view and ensure that both local workers, youth and unemployed, and new immigrants have sufficient opportunity to maximise their potential, the positive economic impact of mobility may be offset by social tensions and a general waste of human talent.

In some localities, employers are themselves pushing for change, in the best cases working together to offer customised training at the local level relevant to their industries. However, in many OECD countries, employers take a back seat. Globally, the most productive jobs are becoming those that are the most knowledge-intensive. However employers can also gain a competitive advantage through keeping skills levels, and therefore salaries, to a minimum. The phenomenon known as the 'low skilled equilibrium' - where low skills supply is matched by low skills demand - can affect not only localities but whole countries. Frequently, local policy makers become diverted to 'fire-fighting' to fill local labour shortages,

Box 1 - The OECD LEED Programme

LEED is a Co-operative Action Programme dedicated to the identification, analysis and dissemination of innovations in local economic and employment development. Since 1982, the LEED Programme has been providing a vital contribution to local development, defining rationale for new policies, improving local practices and pushing further the frontier of knowledge in this area. Member countries, non-members and international organizations increasingly look to LEED for practical policy guidance.

The LEED Programme offers participants a uniquely active approach by providing: i) continuous monitoring and assessment of current local development practices and the diffusion of related findings; ii) analysis of initiatives, strategies and partnerships between government, business and civil society with the aim of complementing public policy and supporting local economic and social development; iii) elaboration of common methodologies and analytical frameworks for carrying out reviews and studies; and iv) a critical link both between sub-national institutions, and between the OECD and sub-national bodies.

without an eye to the longer-term strategic need to improve the quality and knowledge-intensity of the employment on offer and to increase the attractiveness of the labour market to residents and newcomers alike.

These competing demands and concerns present a major challenge to local players seeking to develop local skill strategies and invest in their future labour force. With limited resources, local players need to establish priorities to ensure that concerted local action can have a real impact on the labour market. However, what should the local priorities be? The attraction and integration of new talent? The retention of existing skilled workers? The education and training of future generations of young people in the needs of the local labour market? The integration of disadvantaged groups who are currently outside the labour force? Or 'up-skilling' the current labour force and working with employers to move towards more knowledge-intensive forms of production? While national policy will have a role to play, much of the responsibility for a number of these actions will fall squarely on the shoulders of local and regional players.

Their task is not an easy one. In order to make the right decisions, and effectively balance interventions, policy makers need to have a detailed understanding of the

skills supply and demand in their local labour force – what is known as the local 'skills ecology'¹. They also need to have some foresight as to the likely industrial sectors and types of employment opportunities which will dominate in years to come. Such information is difficult to collect, and even more difficult to analyse effectively. Once priorities have been set, local players need to have the power to influence education and training policy (which, as noted above, is often managed nationally) and effective ways of working in partnership, given that skills are a cross-cutting issue faced by policy makers in fields as diverse as education and training, employment, economic development, social development and entrepreneurship.

In order to work effectively in partnership to tackle skills issues, local players need to have sufficient authority within their own policy sector to actively influence the delivery of services. This is not always the case. For example, decentralisation reforms in labour market policy have helped decision-making to occur closer to the 'reality on the ground', but there is still some way to go before local employment service staff have the autonomy to make a significant contribution to broader local strategic goals. By providing greater flexibility, national authorities can make it possible for local players to work together on the complex and cross-cutting skills issues which affect their particular community, to innovate as necessary and to adapt policies to local needs.

The LEED Programme (see Box 1) has been looking at cases of localities (in the Americas, Asia, Australasia and Europe) that have developed a joined-up strategic approach to such issues. The study - 'Designing Local Skill Strategies' - explores localities which have developed area based skill strategies such as the High Talent Initiative in Shanghai China, and the Regional Skills Alliances in Michigan (see Box 2), while also looking at innovative responses to particular issues, such as attracting new talent and upgrading the skills of local workers.

Initial findings of the study show that, in order to be effective at the local level, skills strategies need to concentrate on **five strategic emerging issues**:

- **Access to relevant information and data.** Local

¹ We refer here to the diverse set of skills issues which affect any particular locality, including skills demand within particular economic sectors, the concentration of skills within the current workforce, variations in skills supply between different areas and neighbourhoods etc.

Box 2 - Local skills strategies in Michigan, United States and Shanghai, China

Two strategic approaches from two very different countries – the United States and China – provide a valuable demonstration of how overarching local skill strategies can effectively balance a number of different strategic elements to produce sustainable change.

Michigan Skills Alliances: In 2004, the Governor of Michigan embarked on a state-wide project to improve the efficiency of local workforce development and educational systems in meeting businesses needs. Recognising that local labour markets have their own specific needs and that local entities best understand them, the state turned to local stakeholders to form partnerships to identify skills needs, develop the strategies to address the needs, and carry out proposed activities. With the financial assistance of a charitable foundation, the state offered one-year start-up grants totaling over \$1 million for the initial development of 13 'regional skills alliances' across the state. All the skills alliances have involved a business led approach, with strategic aims and objective being developed locally in consultation with local employers. In each case these objectives have been targeted on a particular sector of importance for the local economy. Nine of the regions chose health care, with manufacturing, utilities, construction, nano-technology being other focuses. Work with these local sectors has included attracting new talent into the labour force, developing internal 'career ladders', organising flexible and modular training for workers, addressing barriers to work amongst disadvantaged groups and mentoring.

Shanghai Highland of Talent Initiative: The Shanghai Highland of Talent Initiative is a good example of a bottom-up city wide skills strategy. The municipal government launched its first skills development initiative in 1995 to develop Shanghai as a 'highland of talent' in mainland China. However, effective efforts to implement a concerted strategy did not occur until the municipality launched a detailed 'action framework' in 2004. The action framework defined ten priorities to be addressed between 2004 and 2010 based around the attraction of returnee high skilled Chinese émigrés; specialised training programmes to train high skilled scientists, managers, engineers, politicians and public servants; and wider programmes to reform the vocational training system and upskill Shanghai's labour force. In 2006 these were further consolidated down to five key tasks, with additional priority being given to training migrant workers and rural surplus labour arriving in Shanghai. Training is now delivered on the basis of an annually reviewed 'Talent Development Catalogue' which listed skills in demand. The outcome of such a balanced and targeted approach has been encouraging. The portion of highly skilled workers as per cent of Shanghai's total skill workers increased to 14.98 per cent by 2005, compared with 6.2 per cent in 2002, and 9.4 per cent in 2003.

actors need to understand and correctly define the local 'skills ecology' to develop the appropriate tools required for evidence based skills strategies. In those localities struggling with a lack of disaggregated data, partnerships with regional and national actors are essential in mapping local supply and demand structure and understanding how it fits within the wider economic fabric.

- **Balanced and long term strategies.** When developing strategies to improve the skills base, localities should strike the right balance between attracting talents, integrating disadvantaged groups into the workforce development system and upgrading the skills of the low qualified. This may require providing incentives for local actors to work towards longer term objectives and invest in a sustainable productivity growth.
- **Joined up approach to skills issues.** In labour markets characterised by rapid turnover and skills obsolescence, joining up disparate education and training systems locally is crucial to helping people to build on their learning over time and to deal with the multifaceted nature of skills development strategies.
- **Public and private interface between local labour supply and demand.** A strong relationship between the supply and demand sides requires close working between public sector actors and employers. While the private sector can be an invaluable partner in implementing effective strategies to address immediate skills needs, governmental actors can play a crucial role in encouraging employers' work towards long term goals while taking care of the inclusion of disadvantaged groups.
- **Look to the future and anticipate change.** The success of local skills strategies also depends on the capability of foreseeing future growth and skills demands. Skills strategies need to be subject to regular review and adjustment as economies and industries evolve, while the promotion of 'flexible specializations' contribute to equipping the labour force with a broad range of skills and competencies, essential to absorb unpredictable local shocks.

The research is being developed into a good practice manual, in addition to capacity-building seminars at our Trento Centre. An interim report is available from the OECD secretariat (for more information, please contact: Elisa.Campestrin@oecd.org). ■

The role of local government in the promotion of local economic development

An evolving UNCDF approach

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This article introduces an evolving approach to supporting partner countries in more accurately delineating, developing and activating the role of local government (LG) in the promotion of local economic development (LED). This approach is currently being developed by the United Nations Capital Development Fund (UNCDF)¹ and will be piloted in Africa and Asia in late 2008 and 2009. It contributes to the development of an integrated framework for LED promotion which is anchored at the national level and implemented sub-nationally, with LGs playing a pivotal coordination and strategic guidance role and with a concise LED function.

This integrated approach will help local governments to coordinate the actions of other LED promoters and to harmonize LED-related projects and programmes implemented by other development partners. The approach recognizes that LGs play a critical but limited role in the promotion of LED, which must be supplemented and complemented by a multitude of others.

The UNCDF will work on creating partnerships with other LED-focused development partners and will seek their specialist LED-promotion input into the approach. The UNCDF considers such input critical to the success of the approach and will therefore work with each partner to develop appropriate partnership arrangements and suitable ways of implementing them.

Background

Local economic development (LED) is the outcome of action by numerous contributors. National ministries and other public sector agencies, local governments, quasi-governmental and non-governmental organizations and private sector institutions all contribute in different ways and with different input to the promotion of LED. They generally have a *regulatory and promotion* function in LED. Private sector firms, whether formal or informal, micro, small, medium or large, craft, agricultural, industrial or service-focused, like the formal and informal labour force, have a *production* function in LED. The quality of their output determines the characteristics and success of the resulting LED.

LED *promoters* design and implement LED-related macro-policies, create and enforce regulations and provide a range of promotion and facilitation services that give shape to the enabling environment within which LED *producers* function. LED *producers* generate income and wealth through the creation of, or engagement in, a range of production activities that are owned and managed individually, privately, communally or publicly.

Deficiencies in the ability of *promoters* to design effective policies and apply appropriate and efficient regulations or provide effective services degrade the LED-enabling environment. Gaps in the ability of *producers*

¹ The United Nations Capital Development Fund (UNCDF) has developed and refined effective approaches to supporting partner countries in developing and strengthening their local government systems and in promoting the development of an inclusive financial sector. Both areas of focus contribute directly to local development (LD) and provide a foundation for the effective promotion of LED.

to exploit economic opportunities effectively and make their enterprises more competitive undermine LED.

It is therefore critical that an integrated, comprehensive approach be used to support a country's capacity to achieve LED. Such an approach must support the creation of a nationally owned and managed coordination framework that enables the alignment of LED-relevant policies, legal and regulatory frameworks, the harmonization of mandates and the coordination of the functions of LED institutions. It should also meet the need of both *promoters* and *producers* to perform their assigned functions effectively.

Factors impacting on the effectiveness of LED-promotion efforts in LDCs

In most of the least developed countries (LDCs), and also in some countries with higher levels of development, the ability of LED *promoters* to provide an enabling environment for LED is frequently underdeveloped. They are usually unable to ensure the relevance of macro-economic policies to the nuanced requirements of local economies. The regulatory frameworks they introduce are usually too bureaucratic and inhibit the activities of local economic players. Furthermore, the distribution of their LED promotion-related mandates and functions is frequently imprecise and uncoordinated, resulting in overlaps and conflicting measures.

Such shortcomings in the performance of LED *promoters* adversely affect the performance of LED *producers*. In most LDCs, the performance of these *producers* is further compromised by gaps in their own technical, management, marketing and other skills, and in access to business and financial services.

The role of local government in LED promotion

Globally, local governments (LGs) are increasingly performing a pivotal LED-promotion role. When successful

at this task, LGs play a strategic role, providing guidance to LED *promoters*, and actively coordinate and consolidate their action to achieve strategic economic development objectives. They also act to enhance regulatory environments and invest strategically (directly or through innovative PPPs and other arrangements) in economic infrastructure in a manner that meets the strategic growth needs of their local economies. They also promote responsive business development and financial services that meet the intricate needs of their locality. In some cases, LGs well endowed with advanced capacities, institutional development and flexibility are directly providing strategic business development services and mitigating financial risk that would otherwise be borne by local firms or their financial or business development service-providers.

However, in most LDCs, LGs are seldom able to play such roles. In most cases, their LED-promotion mandate and functions are not well enough defined or set out in LG legislation or other frameworks. Even when such mandates exist, LGs are usually given too few resources² to perform the functions assigned to them. This has rendered most LGs irrelevant at best. At worst, they are perceived as obstacles to LED.

An integrated approach to enhancing the national LED context and defining and developing the LED promotion role of LGs in LDCs – An evolving UNCDF approach

The UNCDF is developing an approach to supporting partner countries with setting up an integrated framework for the promotion of LED in which local governments play a pivotal but limited role. This approach is being piloted in Uganda and was launched in September 2008³.

The approach encompasses three areas of action:

1. Creating an integrated national framework and institutional capacity to improve the national context for LED promotion

² Financial and human resource capacity.

³ The District Development Programme III (DDP III) is being implemented through a partnership between the UNCDF, the UNDP, the Government of Uganda and the Government of Austria. It builds upon the achievements of DDP I & II, which focused on strengthening the LG system for service delivery, the local justice system and gender equity in local development.

This integrated approach will help carve out (or create) institutional arrangements within existing national structures⁴ for the following:

- Developing an LED-centred understanding of the national economy, its sub-national/local dimensions, sectors, clusters and value chains;
- Documenting, analysing the impact of, harmonizing and enhancing LED-related macro-policies and making them more responsive to LED-promotion requirements;
- Documenting and assessing the coherence of the mandates of LED-relevant ministries, national agencies, quasi-governmental and non-governmental organizations and private sector institutions, gradually refining such mandates and improving the coordination and harmonization of assigned functions;
- Accurately defining the LED mandate of LGs and positioning it in relation to other LED *promoters* in their localities;
- Documenting, analysing, coordinating and harmonizing LED-relevant national strategies.

This area of action requires a range of other development partners (DPs) to provide: specialist support for national economic analysis from an LED perspective; analysis of LED-related macro-policies and approaches to reform; and public sector reform approaches to modifying mandates and assigning functions.

2. Defining, developing and activating the LED governance role of LGs

This approach will also focus on developing the capacity of LGs to play a strategic guidance and coordination role in LED *promotion* and *production* action⁵. Attention will be given to ensuring that such action is gender-equitable, equitable among the various categories in the private sector and inclusive. This will entail the following:

- Introduce methodologies and develop the capacities required to give LGs a nuanced understanding



A man is laying out clothes to dry after washing them in the river Niger, Bamako, Mali

of their local economies, their competitive position, the characteristics of their sectors, clusters and value chains, and the challenges and opportunities that hinder or promote their growth;

- Introduce methodologies and develop the capacity of LGs to devise integrated (multi-contributor) LED strategic plans that coordinate and consolidate LED-related measures in a coherent manner; develop LG capacity for coordinating and monitoring their implementation;
- Introduce approaches for LGs to use with the private sector to facilitate communication and gain a deeper understanding of the local economy and of the needs and aspirations of its private sector;
- Introduce approaches and modalities for coordi-

⁴ DDP III in Uganda supports the creation of an LED nucleus at the Ministry of Local Government with a Programme Support Team (PST) to launch the national-level functions. The nucleus and the PST work closely with a Programme Technical Committee (PTC), which is an inter-ministerial entity that will drive the effort to enhance and align macro policies and modify LED-related mandates and functions.

⁵ DDP III institutionalizes these functions within the district and LG structure, including the municipality.

nating the action of other LED promoters and LED-focused programmes and projects sponsored by development partners that ensure the alignment of their action and their effective contribution to the formulation and implementation of a locality's LED strategic plan.

This requires a range of other development partners to provide specialist support for the development (or provision) of methodologies for local economic analysis, competitiveness and private sector forums.

3. Defining, developing and activating the LG role in enhancing the LED-enabling environment

The approach will also define and develop LG capacity to improve the quality of the LED-enabling environment in their locality through action within their mandate. LG action will aim to ensure the quality and gender equity of the LED-enabling environment. It will thereby safeguard and facilitate access by all local economic players to the opportunities in their local economy.

- Introduce methodologies and develop LG capacity for establishing economic infrastructure that meets the needs of the private sector and that facilitates strategic growth in the local economy, its sectors, clusters and value chains;
- Develop LG capacity to identify regulatory bottlenecks that hinder private sector activity and economic growth, and introduce approaches that streamline regulations;
- Support the development of a local justice system that addresses the legal requirements of the private sector and ensures the legal rights of the various economic players there;
- Introduce approaches and capacities that enable LGs to promote the development of a responsive business development services sector within their locality by providing appropriate sustainable incentives or mitigating risk to potential business development service providers;
- Introduce approaches and capacities that enable LGs to promote the development of an inclusive financial services sector within their locality by providing appropriate sustainable incentives or mitigating risk to potential financial service providers.



Jenifer Bukokhe, UNCDF Programme Officer in Uganda, talks with a student of a school funded through a Local Development Fund

This requires a range of other development partners to provide specialist support for the development (or provision) of methodologies for identifying and investing in economic infrastructure, assessing and streamlining the regulatory environment, and developing the local justice system. It will also require DPs who specialize in the assessment and development of the BDS sector. It will draw upon UNCDF capacities in the area of inclusive finance to develop ways of assessing and developing the local financial services sector in a manner which ensures its inclusiveness.

Conclusions

The UNCDF will use the Uganda project to pilot this methodology, observe its output and outcomes, and make any required changes during its implementation. The UNCDF also plans to run additional pilots for LED through LG in other African, Arab and Asian countries in 2009, and will continue to refine and develop this approach. The UNCDF will seek partnerships with relevant development partners that draw on their special capacities for this integrated approach to LED promotion.

The UNCDF is eagerly looking forward to the *Inter-agency conference on LED in Turin*, which will be a very important forum in which to present this approach. We will seek input from the ILO and other agencies that will enhance its scope and enrich its content, and we will explore partnership options at the country level. ■

UNIDO's approach to cluster development

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The core of any vital cluster is collective efficiency, which results when external economies and joint actions combine to give cluster entrepreneurs a competitive advantage. Competitive advantage can derive from a number of sources, such as specialization in particular stages of the production process, or incremental innovations through learning and interacting, or accessing specialized business development services.

The competitive advantages stemming from collective efficiency are often out of the reach of the clusters that operate in developing countries, where firms tend to operate in isolation and institutions are generally not receptive to their needs. However UNIDO has found that these drawbacks can be overcome by supporting specific public goods¹.

The fundamental public goods in relation to cluster performance are trust and governance. Trust facilitates exchange and collaboration among firms, while governance describes the formal and informal institutions and frameworks of coordination that sustain joint actions. However trust and governance seldom arise spontaneously, and we cannot expect entrepreneurs to invest time and money to generate benefits over which they have no direct control. This is why external technical assistance can be effective in starting a cluster development process in a developing country, as it helps local entrepreneurs and stakeholders to organize themselves and take advantage of common opportunities.

Two-pronged approach to support

UNIDO's approach to the support of clusters in developing countries focuses on two main areas:

1. Building trust and governance in order to remove obstacles and reduce the costs of collective action; and
2. Capacity-building activities aimed at improving the institutional environment which in turn could develop the entrepreneurial and productive capacities of the cluster.

Trust is a precondition for the development of any collective activities. It decreases the risk associated with common business goals, it facilitates learning and the absorption of new techniques, and it encourages private-public sector cooperation for establishing appropriate services and infrastructure. However, trust is not sufficient in itself – in addition the interactions of cluster actors need to be coordinated by formal and informal institutions. Such coordination, known as **cluster governance**, can be understood as the capacity of a cluster to start and sustain joint actions in a systematic fashion. A sound governance system allows the actors in a cluster to identify shared objectives, agree on a common strategy, articulate collective actions, solve problems, monitor outcomes and ensure sustainability.

UNIDO builds trust and governance by promoting business networks and public-private partnerships,

¹ "Public goods" are assets/resources in which individual private sector stakeholders have no direct investment incentive because no private investor can benefit exclusively, even if the investor has invested far more time and resources in such goods than anyone else. Nor can other actors be prevented from free riding on their benefits.

establishing cluster-wide coordination bodies and interaction platforms, assisting in the diagnosis of cluster needs, planning strategic activities, and launching pilot projects to showcase the benefits of collective action.

To carry out these functions UNIDO trains and employs **Cluster Development Agents (CDAs)**. The work of CDAs is to encourage local actors to engage in activities that both generate economic gains and demonstrate the benefits of collaboration and division of labour. Such activities include joint input purchasing, joint participation in trade fairs, and joint use of facilities. At the same time the CDAs focus on creating or strengthening autonomous governance systems to promote collective activities.

UNIDO's second broad area of activities, **capacity building**, mainly targets policy makers, business development services (BDS) providers, business associations, groups of firms, and training systems. The two main areas of capacity building activities, described below, are (1) development of enterprise networks and business linkages and (2) strengthening support institutions, mainly BDS providers.

Development of enterprise networks and business linkages

Networks and linkages are catalyzing sparks, crucial for the emergence of trust-based relations among the cluster stakeholders. They demonstrate the benefits of

Export consortia (horizontal networks) in Morocco

Since 2004, UNIDO, the Ministry of External Trade of Morocco, and the Moroccan Exporters' Association (ASMEX) have been developing export consortia through a project funded by the Italian Development Cooperation. Export consortia are specific alliances between firms in the same location (horizontal networks) oriented to the export market. By cooperating with other firms in an export consortium, small and medium enterprises (SMEs) can effectively penetrate and increase their share of foreign markets at reduced cost and risk. At the same time, through various types of joint action not directly related to export marketing, they can improve their profitability and productivity, and accumulate knowledge. Such joint action could include joint training and certification programmes, and improvement of shop floor procedures.

A national awareness campaign for SMEs in Morocco, jointly organized with various associations and chambers, was conducted by UNIDO experts. Interested firms were organized into different groups and supported in the process of developing consortia. As a result, 15 export consortia have been legally formalized and nine are under development. More than a hundred enterprises are involved in the project, accounting for 14,000 jobs and covering ten different sectors in six regions.

All the consortia have developed promotional material (logos, leaflets, catalogues, web sites), negotiated preferential tariffs with service providers (for raw materials, logistics, banking and insurance), and participated in trade exhibitions and commercial missions.

The Moroccan authorities consider export consortia to be effective tools, not only for market access but also for upgrading and modernisation of SMEs. Institutions such as the Moroccan Agency for SME Development (ANPME) and the Export Promotion Agency (CMPE) provide special assistance and preferential treatment to the consortia. In view of their importance to SME development, the Moroccan Government has introduced a dedicated fund for export consortia. The fund co-finances startup tools (leaflets, web sites, office equipment) and promotional activities (fairs, exhibitions and commercial missions) for newly constituted consortia for a three-year period. Nine export consortia have already benefited from this scheme and the fund has effectively boosted their promotional activities

MOSAIC, one of the first consortia supported by the UNIDO project, was established in 2004 and is made up of six textile companies from Casablanca specializing in different types of products. Through MOSAIC, the member companies have developed common communication tools and have been able to participate in several international exhibitions and business missions. They have jointly undertaken a comprehensive modernization and upgrading initiative which has included a shared training facility, a restructuring of compliance departments, the introduction of a strategic information system, and the development of new products. This has led to an average increase of about 20 per cent in the export turnover of member companies.

For more information, contact: clusters@unido.org

collective efficiency.

Horizontal networks are groups of enterprises engaged in the same production process (or similar stages of a production process) that seek to share commercial goals. When these networks operate effectively the participating producers reap the benefits of economies of scale as well as access to larger, more diversified, product ranges.

Vertical linkages build relationships between enterprises at different levels of a production chain. Such relationships can be between contractors and subcontractors, or between producers and buyers (whether domestic or international), or they may take the form of supplier development initiatives. Initiatives that improve communication between actors at different levels of the production chain are likely to increase the quality of goods or services as well as improve timely delivery and reliability.

Strengthening support institutions

BDS providers (technical institutions, industry associations, and NGOs, among others) are the main recipients of UNIDO's assistance because of their key role in improving the access of cluster enterprises to financial and non-financial services. BDS providers can improve access directly by developing cluster firms' services portfolio, or indirectly by providing them with information or facilitating access to services. Relevant services offered or facilitated can include counselling, information dissemination, training, business planning, credit access (e.g. assisting cluster firms in the submission of appropriate business plans to financial institutions), equipment purchasing, and establishing shared facilities.

UNIDO has decided to focus its cluster assistance by supporting the development of a competitive BDS market. In practice this means increasing the outreach of existing support service products while developing pilot products that will meet the needs of cluster firms. At the same time it means making firms aware of their own needs and aware of the availability of support services.

A cluster intervention in Atuntaqui, Ecuador

From 2004 to 2006, UNIDO, with co-funding from the Ministry of Trade and Industry (MICIP) of Ecuador, assisted the garment cluster of Atuntaqui to strengthen the competitiveness of local producers after the drawbacks suffered during market liberalization. The project supported the establishment of SME business networks and provided them and local institutions with assistance in three strategic areas:

1. Technical upgrading. This entailed training in management, product development, and marketing, as well as assistance to SMEs for the joint purchase and shared use of a digital design (CAD) system, installed at the local Chamber of Commerce.

2. Improvement of skills and services availability. The project supported BDS providers in the design and delivery of new services to improve competitiveness (design services, research programmes on the use of raw material and training), while it assisted training institutes to refocus their curricula to meet the skills demands of the cluster.

3. Improvement of institutional capacities for local development planning. This was done by training and networking of local, regional and national policy makers. As a result, networked entrepreneurs have been purchasing inputs jointly and sharing production agreements, which has led to cutting an average 15 per cent of development and production time. Establishing joint retail outlets enabled them to achieve an increase of more than 60 per cent in annual sales, leading to a 60 per cent increase in employment and 15 per cent increase in wage levels.

The municipality of Atuntaqui has taken ownership of local economic development strategies, including marketing. It organizes an annual fair, which in 2007 attracted more than 100,000 visitors. The fair has not only positioned the city as a regional garment production centre, it has given a boost to other sectors, notably tourism and the food industry.

For more information, contact: clusters@unido.org

Local governments and municipalities are involved in these initiatives as they are the ones that will have to sustain the momentum of the cluster activities once the UNIDO project comes to an end. Part of UNIDO's role therefore, is to create awareness among local government bodies about the importance of clustering for economic development and to expose them to international best practices in the promotion of clusters.

Clusters and poverty alleviation

The experience of UNIDO shows that a cluster approach, if properly focused, is a valuable tool for tackling poverty because of the way it creates an environment that is conducive to broad-based development. Clusters are after all socio-economic systems in which a group of enterprises overlaps with a community of people and their families, living and working in the same geographical area. Usually the entrepreneurs and workers share a similar social, cultural and political background, and there are norms of reciprocity and collective practices of self-help between employers and employees. Thus any distribution of the benefits of growth is likely to be more inclusive in a cluster than in other economic systems.

The pro-poor growth potential of cluster development is best harnessed by providing assistance in two self-reinforcing areas of activity a) generating economic opportunities for the poor; b) increasing the access of the poor to these emerging opportunities.

As regards the generation of economic opportunities: when backed by appropriate policy measures, a thriving cluster will create job opportunities for entrepreneurs and their workforces as well as for unemployed individuals whose skills match the needs of the cluster. In this way a cluster approach can improve the welfare of the poorer end of the cluster population, including marginalized segments like women, migrants, minorities, and unskilled labour.

Besides direct employment, the growth of a cluster is likely to lead to a greater demand for locally supplied inputs and equipment, benefiting suppliers, including farmers, and machinery and spare parts producers. This may result in greater quality and availability of goods and services for local consumers, indirectly improving their welfare.

The collective efficiency gains of clusters can be geared to allow the poor to increase the productivity of their assets (labour, land, capital), as well as deploying these assets in new economic activities that respond to emerging demands and market opportunities.



Meeting of UNIDO cluster experts in Vienna

This brings us to the second pro-poor activity – increasing the access of the poor to these emerging opportunities. Reducing poverty implies not only generating economic opportunities that explicitly target the poor, it also means addressing the lack of political, human, protective and socio-cultural capabilities which affects their welfare and constrains their ability to take advantage of emerging economic opportunities. To strengthen the capacity of the poor to do this, UNIDO uses a range of practices designed to maximize the pro-poor impact of cluster development:

First is the **adoption of a participatory approach** that is openly oriented to empowering those at the fringes of society – the disabled, women, and minorities. This approach contributes to reducing the marginalization and encouraging the active participation of such groups in the economic life of the cluster.

Second, the **establishment of 'voice mechanisms'** allows poor people to overcome traditional barriers and power imbalances that hinder their participation in decision-making processes. It ensures that they have a say in the formulation of the cluster development agenda and, more broadly, it improves their self-confidence and social status so they can take part in economic activities on equal terms with other actors.

A third key factor is investment in **capacity building activities** aimed to improve the human capital of the poor. These allow them to better manage their businesses, plan investments and utilize their limited assets in the most productive way. ■

Promoting competitiveness through integrated local development initiatives

Claudio Cortellese and Robert Daughters
Inter-American Development Bank

Background

Since it started, the Multilateral Investment Fund (MIF)¹ has financed diverse initiatives in the area of small and medium enterprise (SME) competitiveness. Between 2002 and 2007, a family of MIF projects known as Production Integration Projects (PIPs)² aimed at improving SME competitiveness by strengthening links between firms, either within the same sector – in industrial districts or clusters – or in different sectors linked by a common production chain.

One lesson learned is the importance of a broad institutional framework for PIP projects that balances active private sector involvement with effective, pro-active public sector engagement. The inclusion, along with private sector institutions, of local authority institutions – such as municipalities, universities or technology centres – in the project's design and decision-making processes has proved of particular importance. Collaboration among these players is vital to the sustainability of such initiatives. It facilitates the conversion of project implementation experience into broader policy design at the regional level; it harnesses productive integration mechanisms to achieve socioeconomic inclusion; and it can target economic development efforts at less developed regions.

MIF has now decided to launch a new family of projects – *Local Competitiveness Projects* – that will focus on an

enabling local and regional environment for SME competitiveness. It will support joint public-private development initiatives in a given territory, in partnership with groups of small and medium enterprises, local and regional governments, regionally based R&D centres and other relevant institutions.

This new approach to SME competitiveness will focus on public-private collaboration to strengthen the competitive advantage of a given territory. It thereby offers an opportunity to build a flexible approach to local business and economic development that can integrate initiatives by multilateral institutions and different governmental agencies.

The role of localities in strengthening SME competitiveness: definitions and concepts

Thanks to widespread decentralization over the last twenty years, local and regional authorities in most of Latin America are now central to the economic and social development agendas of their countries³. This is reflected in the high priority currently given by multilateral banks to a business model and agenda suited to sub-national clients. It is also shown by a growing demand for knowledge-sharing workshops and seminars on territorial competitiveness, local economic development and SME development in regional settings through clusters, value chains and technology support.

¹ MIF is an instrument of the Inter-American Development Bank that promotes private sector development in Latin America, principally - but not only - through grants. Additional information can be found at <http://www.iadb.org/mif>.

² The PIP initiative has generated 18 projects, approved between 2003 and 2005.

³ Today, on average, sub-national governments in the region are responsible for nearly 20% of total public expenditure in their countries and – in some cases – over 50% of total public investment. This has led regional and local authorities to be increasingly proactive in the development of their territorial economies. Even so, small enterprise policy needs to be further strengthened, especially by drawing on the experience of European countries.

MIF's own experience with industrial cluster and supply chain projects highlights the dependence of businesses, especially SMEs, on the local and regional context for many of their critical production inputs and competitive advantages. These *territorial assets*, as we shall call them, include: a region's raw materials and natural resources; the local pool of professionals and specialized labour; local support services and the region's pool of R&D institutions, an important asset in today's knowledge-based economies.

The number and quality of public goods in a region can also strongly affect the competitiveness of local businesses. They include the economic infrastructure networks – especially transport, energy and communication – and the pool of social capital – including the existence (or absence) of a culture of entrepreneurship and the quality of business associations.

Local and regional governments play a vital role in supporting business growth by way of efficient, streamlined business permitting and regulation procedures. This was demonstrated by MIF's experience with industrial cluster projects, when it became clear that the quality of *private-public partnerships* within a given regional economy was just as important as the quality of *private-private partnerships*. The public sector is important in forging operational partnerships with business and the knowledge sector in key areas such as technological development, logistic systems and environmental controls. It is also important in collaborating with other stakeholders in setting development priorities for the region. By drawing on lessons learned in the PIP cluster, public-private partnerships will increase the sustainability of the projects and their capacity to adapt to change.

By the same token, given the broad, multi-institutional scope of local competitiveness projects – where the concept of competitiveness applies not only to enterprises but also to the geographic context in which the enterprises operate – these projects require **a complex form of governance**, based on a collaborative agreement among key partners in the development of the target region and sectors. These partners typically include rep-

resentatives of local government (municipalities, province or state governments)⁴, of the local private sector (business associations and leading local entrepreneurs) and its knowledge institutions, such as universities and technology centres. The role and weight of these partners should be a function of their commitment to the project, by way of leadership and financial participation. Because project governance is an important aspect of the projects, it will often be necessary to increase the capacities of the institutions involved.

For the purposes of this new approach, a **territory or locality** will be defined as a delimited *economic region* with similar or shared productive characteristics – economic base, interdependent production sectors, skilled labour pool, economic infrastructure and other comparative advantages. The interdependent sectors of the territory and the economic region should have a clearly defined path to development and a demonstrated potential to accomplish it. Accordingly, a territory will frequently not coincide with an individual municipal or regional government jurisdiction.

An increasingly important form of public-private collaboration at a territorial level is the use of local competitiveness initiatives as tools for **social inclusion** and regional equalization. In many countries, sub-national governments are partnering local business and knowledge institutions in creative initiatives to bolster the competitiveness of SMEs in marginalized, impoverished sub-territories, be they inner-city slums or rural districts.

Project objective and structure

The **goal of the new local competitiveness projects** is to increase the development potential of small and medium enterprises (SMEs) in a given region by strengthening the competitive factors (*territorial assets*) of the locality, and thus – by extension – improve the development potential of the region itself. Each project will be organized around one or two strategically important sectors or supply chains of the regional economy.

⁴ One of the issues in regional development is managing the relations among different levels of government that share responsibility for dealing with the private sector.

Each project will offer an opportunity to: (i) implement specific forms of public-private collaboration for SME development and social inclusion that suit a given locality; (ii) contribute to the contents of this development effort; and (iii) create the conditions to make it sustainable. To better understand these processes, and how they can be implemented in very different regional contexts, MIF will promote a variety of projects, focusing on different sectors, with different governance structures. Some projects will be in rural localities, others in urban areas, often a small or medium city; others may help a region with a strong specialization to diversify.

The projects should also meet the following considerations to be eligible and to reduce the risks involved:

- i. The commitment of public and private institutions should be clear from the outset;
- ii. Projects should involve areas with clear potential for economic development, and the local leaders should agree about the strategic sectors;
- iii. Prior experience of public-private partnerships or collaboration in the locality; there should also be evidence that local entrepreneurs are willing to take development initiatives in association with other entrepreneurs and/or institutions;
- iv. Resources should be potentially available from other sources – and resource mobilization capacity should be present in the selected territory – in order to finance the investments that may be required to sustain MIF project actions;
- v. Leadership should be identified in the public sector, but especially in the private sector; the presence of local champions to take over the first actions and to overcome initial difficulties in the governance scheme is essential.

The projects will generally rely on grant financing, matched by local commitment, as per the standard rules of MIF projects. They may also support resource mobilization in order to finance targeted public or collective good investments to achieve the objectives. This will be especially critical in under-served regions with a significant concentration of poverty and/or where financing is not readily available – i.e. where investments, because of their small size or remoteness, cannot be processed easily by existing domestic credit mechanisms for pub-

lic investment, or – because of their collective ownership – cannot be processed by the commercial banking sector.

The typical components and activities in local competitiveness projects are described below. They include: (1) strengthening the local private and public stakeholders; (2) business development initiatives in strategic sectors in the territory; and (3) joint private-public initiatives on territorial competitiveness.

Strengthening the local productive development network of private and public stakeholders.

Projects will promote and implement a broad range of activities that build and strengthen the public-private network and institutional framework that promotes productive development in a given territory. In general, they will consist of institutional and human resource development action, methodology and analysis. They can be grouped into two broad categories: (i) networking and collective action among enterprises and other stakeholders; (ii) development of social capital assets.

- i. The first group of activities will provide methodologies and training programmes on networking and association among enterprises, and between these and SME support institutions. The networks might include: business alliances or supply chains; a combination of private sector institutions and local/regional associations of government bodies involved in the promotion of economic development activities; associations of local and regional technology institutions; or some combination of these.
- ii. The second area will focus on strengthening the institutional framework of the beneficiary region. Priority will be given to building capacities and developing and adapting methodologies aimed at: (i) the design and development of programmes and initiatives for regional or local economic development – based on joint efforts between small enterprise groups, the public sector, universities and R&D centres; (ii) incorporation into the formal, mainstream economy of social sectors currently marginalized in the economic development process; and (iii) the development of collaboration agreements with other regions in the world with

mature experience of similar initiatives.⁵

Business development initiatives in strategic sectors or clusters of the territory. The second component of these projects groups together activities that more directly support organizational strengthening of businesses, product development and improvement of processes. Underlying the latter, however, is a logic of productive integration through supply chains and industrial clusters aimed at encouraging joint **private-private action among firms** with similar interests (i.e. in contrast with the previous component – and the third component, as noted below – in the realm of private rather than collective goods). This component is also expected to promote initiatives considered important for the competitive development of strategic sectors and production chains in a given territory. These activities can involve single enterprises, but preferably will promote joint actions by more than one firm. Funding for specific activities will be either piecemeal, through individual, pre-identified projects, or grouped in multiple-work funding facilities – preferably as matching grants, in either case.

Joint private-public initiatives for territorial competitiveness. This component will encourage joint venture initiatives between private and public sector stakeholders to improve a region's competitive standing in the larger national and international markets. As such, it is one of the central activity areas of the programme, directly enhancing **capacity for public-private cooperation**, strengthening a region's pool of social capital and generating a greater appreciation of the benefits of collective action, e.g. in the area of environmental protection. By fostering public-private collaboration, concrete initiatives anchored in private sector priorities can be generated – for example, the standardization of technical knowledge available in a region for business development. Examples of activities eligible for funding include: studies to modify regulations; simplification of administrative procedures involved in enterprise start-up; and territorial marketing. It may include small investments to leverage private sector resources to provide small-scale economic infrastructure and services, where the latter can eliminate critical logistic bottlenecks in underserved localities, managed by

private entities – collectively or not – when these are considered necessary to give small enterprises the opportunity to boost competitiveness. The project's governance will propose eligibility criteria, establish priorities – including compliance with environmental law and relevance to the development of the region – and set out procedures and management structures for the selection of projects.

Concluding remarks

This new approach carries risks as well as benefits. The major **risks** relate to the governance structure noted above. The diversity and number of stakeholders involved in a project with a territorial focus, sometimes with different and even contrasting interests, will make governance and execution more complex. In order to mitigate this risk, certain factors need to be taken into account before supporting a proposal: (i) each project should meet the minimum conditions noted above; (ii) during the design of the project, a clear structure of responsibilities and roles should be set out; (iii) a training programme for key local players involved in the project needs to be well designed and funded within the project; (iv) institutional strengthening of partner institutions, in the areas related to private sector development, also needs to be included.

If the above risk-mitigating actions are taken, these projects can expect to provide significant development benefits to a given economic region or locality. Among the most obvious are improvements in the quality of governance of the region in both the economic and the political spheres, deriving from the process of common action and networking among the different stakeholders, making the region's economic development more likely to be sustainable. The other obvious, but critical, benefit of these projects lies in the significant improvements expected in the productive performance of SMEs in the region, supported by the better prospects for sustainability arising from the project's complementary and horizontal initiatives that develop from its private and public partnership arrangements, such as the strengthening of regional innovation systems or the development of strategic infrastructure. ■

⁵ Given the innovative nature of many of these support initiatives, they are expected to benefit strongly from association with more developed regions with similar economic and social structures, either in Latin America or in the developed countries.

Interviews



Andrés Rodríguez-Pose

Director of the Geography and Environment Department
London School of Economics and Political Science (LSE)

Patricia Durán de Jager

Executive Director
FEMICA, Central America

Gobinda Shrestha

Ramechhap Chamber of Commerce and Industries
Ramechhap District, Nepal

Milestones and challenges of LED practice and academic research

Andrés Rodríguez-Pose

Director of the Geography and Environment Department
London School of Economics and Political Science (LSE)

The London School of Economics and Political Science (LSE) is a world class centre for its concentration of teaching and research across the full range of the social, political and economic sciences and for its international participation. From its foundation LSE has aimed to be a laboratory of the social sciences: a place where ideas are developed, analysed, evaluated and disseminated around the globe.

The LSE master's programme in LED focuses on the variety of ways in which local and regional agencies can work with the private sector in order to stimulate local economies and on the rationale and impact of regional and local development. The course is aimed at developing graduates' abilities to integrate theoretical developments with practical experience.

Andrés Rodríguez-Pose is professor in Economic Geography and director of the Geography and Environment Department at the LSE. He has worked as a consultant on economic development strategies for the World Bank, the UK Department for International Development, and the International Labour Organization, amongst other national and multinational agencies.

Since you founded the MSc in Local Economic Development at the London School of Economics, the number of students doing this course has risen steadily, confirming your vision that LED would become a core approach to economic development. What are the distinctive features of LED that make it so relevant?

The first distinctive feature of local economic development vis-à-vis traditional development approaches is



SOURCE: RODRIGUEZPOSE

that it is focused on a territory rather than a sector. LED processes are locally owned and participatory; and local actors or stakeholders play a leading role in designing the vision and the actual development strategy to be followed. Compared to other development partners, local people are often more aware of the strengths, needs and threats to their own territory. And the participatory process empowers all local actors, thus limiting opportunistic behaviour.

The second feature is that LED processes offer an integrated approach to development, rather than a one-size-fits-all solution. Their main aim is to mobilise the local economic potential by bringing innovation to all

its growth dimensions, which range from infrastructure, to local SMEs and their skills, to attracting foreign direct investment, fostering territorial competitiveness, strengthening local institutions, better management of the development process, and internalising local returns. Because of its local, demand-driven, inclusive and inter-sectoral approach, LED can be applied to virtually any territory.

The LSE and other major universities all over the world have been very active in LED research. What have been the main innovations in the academic research of LED which have shaped better strategies for LED policies? And vice versa what have been the main innovations and/or milestones in the practice of LED, which have fed into new directions of academic research on LED?

One of the interesting things about LED is that theoretical innovations do not come exclusively from academic circles. In this respect, the work of developing agents and practitioners – including local agents, governments, and international organizations – has been of paramount importance. It is they who have provided the cases on which the theoretical foundations of the approach have been built. The myriad of case studies in LED from across both the developed and the developing world have created a corpus from which academics have extracted their theories on LED. The academic world, in turn, has closely interacted with practitioners in order to refine methods and strategies in LED and, ultimately, deliver greater results.

It is often quite difficult for practitioners to access the latest research, either because they don't know where to find it, or because of the different 'languages' that researchers and practitioners seem to speak. How can research institutions like the LSE, and international development agencies working on LED development approaches, help to decrease or even eliminate these barriers?

The great advantage of the constant dialogue between academic researchers and practitioners in LED is that virtually all academic research in the field has been rela-

tively jargon-free and very accessible to the general public and, in particular, to practitioners. This constant interaction between academics and practitioners is plain to see in numerous reports about LED published, among others, by the ILO, the World Bank, UN-Habitat, or the Cities Alliance.

This very publication and the conference it draws on are evidence of the interaction between academic and non-academic LED experts and practitioners. It has been a chance for them to sit at the same table and be confronted by the same challenges and opportunities regarding the contribution of LED to international development policies.

Nowadays almost all international development agencies work either on LED or on similar territorial approaches. There are more and more bottom-up initiatives in industrialised and developing countries. Masters programmes and short training courses on LED have multiplied in recent years. How do we know that LED is not simply another development trend that risks 'drowning' like so many other 'one-day-development flies'?

LED is not a development fashion, as it does not claim to provide some sort of magic recipe that will deliver development to every space and every time. LED is much more a philosophy about how development problems should be approached, who should be involved, and how to design and implement development strategies. It proposes a participatory, bottom-up, territorially decentralised development approach that focuses on maximising the endogenous potential of every territory.

The LED participatory methodology and focus on knowledge-sharing go hand in hand with capacity building programmes, which help local systems undertake appropriate innovation. By local systems I include societal institutions and community groups, which allow for development trajectories to be shaped both by economic and social concerns. LED processes thus create mutually reinforcing socio-economic and institutional benefits, making it much more than the flavour of the month. It is an approach to development problems that is here to stay.

What do you believe will be the major challenges for LED practitioners, policy makers and researchers in the future? What resources are needed by research institutes and international development agencies to adapt to the evolution of LED theories and practice, and to sustain them?

Practitioners, policy makers and researchers working on development issues face constant challenges. There are no easy remedies for development problems: no one-size-fits-all solutions. Proof of this is that development problems across the world are today as rife as five decades ago, if not more severe.

Globalisation is in many ways exacerbating the problems. Somewhat paradoxically, globalisation has shifted its focus on local territories. On the one hand this poses a threat to lagging areas; on the other hand it gives LED strategies a bigger role to play in international development.

Productivity increases are determined by factors other than the comparative advantages of local resources. Value chains and the rate of knowledge transfer within and across territories play important roles in the dissemination of wealth and welfare. These transfers are fostered by clusters of specialised productive activities, and by stronger investments in Information and Communication Technologies (ICT) to link with global markets and productive systems. In such ways the territory can be placed in a better position to exploit opportunities offered by globalisation phenomena, and retain and/or upgrade its position of relative competitiveness.

Specialised clusters like “technology districts” also entice heavy export specialisation. This poses a threat to the development of any given territory unless it is associated with continuous innovation. The bigger the market for an innovative product or process, the greater the opportunity for any given territory to thrive.

Innovation calls, however, for more complex systems of governance because it is fostered by flexible production processes that only survive with high rates of turnover, mergers and acquisitions and start-ups. National systems need therefore to provide an enabling environment for these, through flexible policies of industrial re-

lations, light regulation of industrial development, and solid, democratic and demand-responsive institutions.

Such conditions are especially rare in developing countries. Evidence shows however that LED processes have helped to generate innovation in all types of regional settings, because of their focus on competitive advantage, capacity building and participatory development.

What is the response that LED strategies offer to poor and marginalised groups?

Greater globalisation, associated with further urbanisation, has in the last decades introduced yet another challenge to development practice: the emergence of new categories of poor people. For example, workers “trapped” in lagging areas and low-paid jobs, specifically women in low-wage service sectors, with slim chances of upward mobility, and for whom labour at a low price is the only comparative advantage on the global labour market. Other examples are informal workers, who do not benefit from social protection schemes; low wage populations with insufficient or no access to social protection schemes; or landless workers and the unemployed in depopulated rural areas, where increased rural-urban migration invalidates kinship support networks. A huge challenge for LED practitioners is to help develop schemes that are responsive to high unemployment rates and that help financially, physically and emotionally vulnerable individuals.

Every single territory has to develop its own solutions. This does not mean that the challenges faced by different territories are completely dissimilar or that we cannot learn from what has been done elsewhere. But any strategy to tackle development problems needs to take careful consideration of the social, economic and institutional conditions of that particular territory and to adapt development models and processes to the conditions of that territory. This is what LED is about. Such flexibility calls upon development agencies and actors to work in coordination, in order to avoid competition and/or replication in project development, adapt their development efforts to an integrated strategy, and support decentralised systems of governance. ■

Promotion of competitiveness in municipalities from a regional perspective

An undertaking by FEMICA

Interview with Patricia Durán de Jager

Executive Director of the Federation of Central American Municipalities (FEMICA)

Consolidation of a local competitiveness with the municipal government and the community playing a strategic role has become one of the main goals on the agenda of FEMICA. The Federation has set itself the task of developing and promoting effective strategies for sustainable local development from a regional perspective. Patricia Durán de Jager, the Executive Director, coordinates efforts to execute and implement the strategic goals defined by the Steering Committee, acting as link between regional integration bodies and national associations of municipalities that are members of FEMICA.

What is the role and position of the Central American Network on the Decentralisation and Strengthening of Municipal Administrations within the region? How does its latest edition, which took place in La Antigua Guatemala, differ from previous ones?

The Network was set up in 1994 as a FEMICA Municipal Agenda project and ever since, through its annual meetings, it has reflected the sum of efforts made in the region by national and local actors (municipal associations and federations, capital cities and local governments) and integrated Central American bodies¹ that are responsible for leading and generating long-term strategies with the fundamental aim of making Central America a 'Region of Peace, Freedom, Democracy and Development'. The Network includes a process of analysing and formulating improvements or changes at municipal level within a framework of policies related to organic development within the region. Earlier events have, for example, tackled such crucial topics for local governments as poverty, local economic development, the analysis of urban development and rural development, to mention but a few.

From 23 to 25 September 2008, La Antigua Guatemala was the setting for the **14th Central American Network on the Decentralisation and Strengthening of Municipal Administrations**, this time on the theme of *"The Municipality of the Future: facing the challenges of sustainable development"*, sponsored by the Federation of Central American Municipalities, FEMICA under the patronage of the Secretary General of the Central American Integration System (SG-SICA) and specialised departments within SICA. The event was attended by more than 200 people from all over Central America, including mayors, ministers, representatives of municipal associations and special guests (international organisations, financial institutions and cooperation agencies).

At the 14th meeting, the Network members focused on their bid for a competitive future and for the first time a need was stated at this forum for municipal governments to open up a channel of communication with the upper echelons of bodies making up the Central American Integration System, SICA and the cooperation and financial agencies that are aiming to increase the competitive potential of our region. The 7th Tradefair *"Doing business in a Competitive Municipality"*, held in parallel with the Network, focussed the attention of enterprises, cooperatives, multilateral cooperation agencies, consultants, service providers and the Central American people themselves on the importance of building efficient, participative local governments. This edition made a significant step forward compared with earlier editions in terms of opening up opportunities for dialogue between local, national and regional levels with the aim of promoting complementary initiatives and agreements that make it possible to strengthen the current process of integration to benefit social, economic and political inclusion within the areas.

¹ For more information on the Central American Integration System, see: <http://www.sica.int>.

Based on exchanges that took place within the 14th Network, how would you define a 'competitive municipality' and what are its main features?

A municipality that plays a specific role in making its area competitive must respond to the immediate needs of its people while still keeping a card up its sleeve for the future. In other words, it must aim to strike a balance between short, medium and long-term goals in terms of its strategy and its budget. If we look at the specific case of Central America, the conclusions set out in the 2008 Regional Statement² reveal that the local authorities are currently facing two great dilemmas: in the immediate future, they must find the recipe for strengthening the constitutional state and increasing public safety while in the medium and long term they must ensure that they achieve a beneficial position within the region and international economy. No form of local competitiveness is sustainable unless it is backed nationally by a consistent development strategy to tackle these two challenges that have clearly emerged throughout the past decade to add to Central America's historical economic and social development problems. An increase in insecurity, mainly as a result of drug-trafficking and growing financial vulnerability, is the result of the new and more complex international situation that directly affects Central America due to its specific geographical location and geopolitical situation. As most of the panellists pointed out at the meetings held as part of the 14th Network, we cannot talk about local development without acknowledging the part played by regional development, because a competitive municipality stakes and invests in its own local resources while at the same time forging links and interacting with other areas within the region. One essential condition for the forging of these local links is naturally being able to count on the backing of strong, decentralised States - and this is another task we have not yet achieved in Central America.

What are the main regional tools for promoting decentralisation and local/national and cross-border synergy for promoting local competitiveness?

Firstly, we need to establish a shared goal that will open up the ground for shared debate. The best way to look at

our regional challenges is in terms of sustainable human development. Irrespective of the fact that some tasks are the responsibility of national States while others can be dealt with as regional strategies, we all agree that it would be possible to meet the basic needs of our citizens if there were greater levels of human development. The following are the most important regional challenges faced to achieve sustainable human development: quality and supply of employment, health, food safety, being able to offer alternatives to migration, democratic stability, the application of constitutional law, the fight against corruption, the strengthening of local government, environmental protection, access to energy sources – to mention only those that have currently been identified as most strategic by SICA. The agenda of regional bodies and supranational actions must be developed around these core themes, which are the basic ingredients that an area must call into play to ensure development that is competitive yet also sustainable.

There are various ways of promoting actions within these fields, ranging from the setting up of forms of inter-governmental cooperation (as far as personal safety and circulation is concerned, for example), the creation of supranational laws that transcend national interests and the confirmation of regional initiatives dedicated to more complex topics that are in the common interest. Prominent among the bodies attending the Network in La Antigua were the Secretariat of the Central American Integration System (SISCA), the Regional Programme for Food and Nutritional Security for Central America (PRESANCA), the Central American Commission for the Environment and Development (CCAD), the Coordination Centre for the Prevention of Natural Disasters in Central America (CE-PREDENAC), the Central American Committee on Water Resources (CCRH) and, in particular, the Secretariat for Economic Integration in Central America (SIECA), the technical body set up to lead the process of economic integration.

These exponents of joint action at regional level have set themselves the challenge of providing specific answers in their own fields and at the same time of offering support to local development campaigns at a financial level and also at a social and environmental level. Although these aspects

² *Estado de la Región en Desarrollo Humano Sostenible – Un informe desde Centroamérica y para Centroamérica* [State of the Region in Sustainable Human Development – A report from Central America and for Central America], presented at the 14th FEMICA Network and available at: <http://www.estadonacion.or.cr/estadoregion2008/index.htm>.

are apparently only the basic premises, the lack of progress in basic service development is translated into strategic vulnerability that to a large extent affects the sustainability of local economic development initiatives. The approach of regional integration for sustainable human development will enable us to stand up to these challenges as a whole for once and for all to rediscover the potential of our area.

Do you think that local economic development and local job creation campaigns are properly backed by corresponding regional, national and international policies?

The promotion of local economic development is a relatively recent topic for Central American governments and is not being given sufficient support, as we can see from the structural problems in our labour markets. Although employment opportunities increased in quantitative terms for the Central American people during the last decade of the last century, most jobs are in low quality, low productivity activities and this is due to a lack of investment in human capital and the area's own local resources. At the beginning of the 1990s, we began to see more interest in and awareness of the competitive benefits of promoting development from the microeconomic to the macroeconomic level, particularly by the private sector and the local authorities in certain countries. This nevertheless led to a very patchy situation through the region, with Panama and Costa Rica showing the best results in economic growth and in the growth of labour markets, while other countries such as Guatemala, Honduras and Nicaragua performed significantly less well. The current international situation affecting the region and the high levels of poverty affecting our countries impose a need to make substantial progress towards integral development, starting by realising the value of our own resources.

Local economic development has proved to be an excellent strategy in many areas and in our own region it may represent a way to improve local management capabilities and reduce the many vulnerabilities (natural and social) to which we are exposed. It nevertheless emerged at the La Antigua meeting that local economic development cannot be considered in isolation from the institutional organisation that must be implemented in our countries. It is a priority to promote clear rules of accountability and transparency in public management while at the same

FEMICA - Federation of Central American Municipalities

The Federation of Central American Municipalities (FEMICA) is a regional non-profit organisation, set up in September 1991, made up of national, regional, departmental and provincial Central American municipalities, associations, unions, leagues and federations. The strategic aim of FEMICA is to promote the interests of the municipality within Central America in order to strengthen modern municipalities by endowing them with managerial capability and political power, promoting processes of development and strategies for fighting poverty. One of the main lines of action is to promote local economic development by reinforcing public-private bargaining powers through two fundamental approaches: processing and publication of municipal economic health-checks and the promotion and public circulation of public-private partnership experiences.

time streamlining procedures for implementing private development initiatives (promoting the setting up of micro and small enterprises, for example). On the other hand, we must also promote a culture of calling to account by the public, who must learn to demand reliable information on the use of public resources and existing opportunities to institutionalise and validate their working environments.

The concept of *territorialism* is also a key factor for local economic development and although the role of leadership to be performed by local governments is reinforced, many mayors have very little room for manoeuvre if they are restricted to operating within their administrative capabilities. For countries with high rates of poverty, with high levels of exclusion, where trade is just about to open up, the *mancomunidades* (consortia of municipalities) are essential for promoting the agenda of municipal development and the effective provision of services to the population as a whole. A *mancomunidad* is an area that shares the same goals and problems and this form of organisation can help to overcome administrative borders in order to generate more inclusive local competences that are better able to support local economic development initiatives.

Lastly, we must promote the *reinforcement of competences* to improve the quality of human resources. Training is important in this sense, but we must also implement strategic partnerships, preferably between the public and private sector, with the support of international cooperation in order to improve income and reduce the high levels of inequality through training and job creation. ■

Tourism value-chain upgrading in Nepal

*Interview with Gobinda Shrestha
Ramechhap Chamber of Commerce and Industries*

Through the EmPLED project, the ILO is assisting the Nepal Ministry of Local Development and local partners at the district level in Dhanusha and Ramechhap Districts to launch and develop local economic development (LED) processes. Following LED awareness training early in 2008, the Dhanusha and Ramechhap Local Economic Development Forums were set up, with representatives of key District public, private and civil society decision-making institutions and organizations taking part in them. The shared goals of the Forums are: (1) to strengthen local capacity to plan and implement inclusive, pro-poor LED strategies and activities; and (2) to create employment and economic opportunities by running integrated LED programmes and activities (in Ramechhap District, this includes tourism value-chain upgrading). To learn more about the project, visit www.iloktm.org.np.

How did the focus on tourism value-chain upgrading in Ramechhap District come about, and how did you become involved?

Under the umbrella of the Ramechhap LED Forum, the local LED partners are the key decision-making institutions at the district level. The final LED sensitization training by the ILO for LED Forum members was devoted to LED strategy-making. Tourism was selected as an immediate growth opportunity, given the expanding international tourism market in Nepal. Ramechhap District has the competitive advantage of unique marketable tourism products.

The Ramechhap Chamber of Commerce and Industries (RCCI) chose the LED Forum to provide technical assistance in finding and developing appropriate pro-poor tourism products and building related local capacity. I got to hear that the Chamber was putting together a team to do tourism research, so I showed my interest and joined the team.



How did you start the tourism research initiative and what transpired?

The RCCI recruited four team members – two locals, me and a woman colleague, Deena Dong Tamang, and two foreigners, Susan Bergin and Mark Jackson, who had previously been trekking tourists and went on to gain international experience of value-chain upgrading. The team's composition gave us gender, local and international research perspectives. In mid-May 2008, the team met with members of the RCCI, the LED Forum and ILO EmPLED at the district headquarters in Manthali, where we drew up an inventory of key villages, sites and trails to explore, with an initial emphasis on west and north Ramechhap, where it was felt that the immediate potential for tourism development lay.

The team subsequently completed its research and documented its experience, firstly in North Ramechhap and then in the west of the District, and also interviewed

key tourism sector contacts in the capital, Kathmandu. They made an inventory of villages, potential attractions, facilities, skills and immediate development needs. It was a truly fascinating experience for me. In mid-June 2008, we presented our initial findings to stakeholders at a progress workshop. The stakeholders agreed to the immediate development of two village tourism products – the ‘Indigenous Peoples (IP) Trail’ in west Ramechhap and the ‘Numburchuli Cheese Trail’ in the north – to be ready in time for the start of the new tourist season in October 2008. The project made appropriate changes to the agreement with the RCCI so that we could expand the service provision role to include tourism product development. Our work will therefore continue until the end of September.

The “IP Trail” sounds different: could you please describe it?

Nearly 60% of the population of Ramechhap is made up of indigenous nationalities, and there are twenty-one of these. Nepalese IPs are marginalized in decision-making, receipt of development assistance, access to services and employment and economic opportunities. Western Ramechhap is very poor, underdeveloped and isolated, and its population has the highest proportion of indigenous people in the District. Among key issues for the Ramechhap LED Forum and the ILO are inclusion and employment creation.

The ‘IP Trail’ is an example of ethnic inclusiveness: a relatively soft 7-day trek in the central hills of Nepal. It offers a unique cultural experience among the Tamang, Thami, Sherpa and Newari people. Each target village has a dedicated IP theme. The trail includes Buddhist chortens, stupas, monasteries, traditional mountain villages, interesting architecture, crafts and customs, all in an exquisite landscape. The route passes through rhododendron forests to the top of 3000m Sailung peak, with magnificent east-west views of the Himalayas, including the Langtang, Manaslu, Ganesh Himal, Gaurishankar and Everest ranges. We are also developing links with Kathmandu adventure operators that do river rafting on the Sunkoshi River, which runs along the Southern Ramechhap border. This will generate business for the Majhi IP communities en route, supplying food, cultural

entertainment and river fishing. We have also brought national IP organizations into the initiative.

Why do you believe tourists will come to Ramechhap?

Because we have something unique to offer that tourists want, and also have a good marketing and promotion strategy. We know this from our research and meetings in Kathmandu. The most popular tourism products are the treks in the Anapurna Range and to Everest Base Camp. However, these have become overcrowded, while first and second-time tourists are looking for something different, especially products that offer a mix of local culture, rural and mountain scenery, and more. The ‘IP Trail’ also takes tourists into the heartland of ‘Thanka’ painting, a very famous Nepali art. In addition to unparalleled trekking amongst glacier lakes and the forested Himalayan foothills, the ‘Numburchuli Cheese Trail’ in the North has a local ‘slow food’ theme featuring yak cheese, tea and more.

The homestay concept aims to reveal the real Nepal and its untouched countryside. Visitors to the homestays will get good value for money and know that they contribute directly to the well-being of the local people and the local economy. Trekkers have direct contact with indigenous communities because they stay in their houses and have the opportunity to observe their everyday life. Unlike highly commercialized routes, trekkers walk through uninhabited areas and meet few fellow travelers. The tourist gets a unique insight into the Nepalese way of life, while the Nepalese benefit from additional income. The visitor enjoys evenings with the host family, living with them, eating traditional foods and sleeping in clean beds. Plain rice, dal, potato, tea and local wine are offered. The visitor can also observe local indoor rituals and cultural practices with the host family and go on village walks to see the lifestyle, traditions and customs of the people. The ILO’s support for tourism value-chain upgrading includes support for the upgrading of village homestay facilities, village beautification, development of cultural performance capacities and homestay management training for women.

The marketing and promotion strategy is simple,



Doramba countryside

inexpensive and effective. It involves developing and networking among area- and village-based tourism associations, and linking them with tour operators and a new local association of porters and trekking guides. Each village will have signposts and homestay and other information points. Other initiatives include entries in Lonely Planet and Google Earth, possibly articles for international travel and airline magazines, an initial stock of trekking maps, etc. I am quite confident that tourism will work, but stakeholders must be patient, as it will take a few years to develop from its infancy.

Has gender equality been incorporated into the development of the two products?

Ramechhap women are vulnerable to social and economic exclusion. There is gender discrimination in the division of household duties – women are responsible for all housework, most farm labour and child care. They work 15-hour days on average. Tourism can employ a relatively high proportion of women and can contribute to gender equality. Women can become aware of the benefits of tourism and realize that their skills can be used to generate income by providing accommodation services and producing food and attractive souvenir items. Indigenous women's status is particularly encouraging when compared to women from Hindu caste societies in Nepal. Women in indigenous societies enjoy respect and equal rights among their male counterparts. Tourism can provide a meaningful platform for self-development by rural women. Women become more confident, feel better about their social status and identify and develop their roles in society.

What happens after the ILO's support?

One of the outputs of the second stakeholder progress review workshop held just recently was agreement on the roles of the RCCI and the area- and village-based tourism associations on developing the sector and measuring impact and outcomes. The actual monitoring plan will be drawn up at the final progress review and planning workshop in late September 2008. There will be six-monthly monitoring workshops after each of the two annual tourist seasons. The RCCI will develop the capacity to provide training and advisory services to local tourism associations and facilitate networking among people in value chains. The RCCI and the North Ramechhap stakeholders are currently mobilizing investors and resources with a view to developing community lodge facilities on the trail up to the magnificent glacier lakes. This will expand the trekking options in North Ramechhap from March 2009.

What experience and skills have you gained so far from this work?

Previously, I was involved in social mobilization for development activities at local community level, where projects come and go, leaving project groups behind with little capacity to reduce poverty or create jobs and wealth. The major experience for me to date, working under the LED umbrella, has been to understand that LED has no boundaries and has a very broad scope for facilitating the inclusive creation of employment and wealth. I have learned the basics of what a value chain is, and how and why we have intervened in various critical parts of the tourism value chain, including association building, micro-infrastructure, skills development, and product and market development. On the skills side, I have become confident in working with and guiding the local tourism associations and facilitating meetings. What I also like about LED is the inclusive way in which local stakeholders get the chance to shape their own futures through more focused small business associations as opposed to project groups. I would like the opportunity to develop a career promoting LED on a broader scale at the local level in my District and beyond. ■

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- UNDP's response to climate change: adaptation and mitigation
- weADAPT - Collaborating on climate change adaptation

Africa

- CoopAfrica - Local economic development and the cooperative advantage
- South Africa - Decentralization and the challenge for institutionalizing LED

Asia

- Asia Indigenous Peoples Pact - Indigenous peoples and local economic development

Latin America

- Chile - Territory, opportunities and fairness: the Chile Emprende programme

UNDP's response to climate change: adaptation and mitigation

Andre Mershon, School of Forestry and Environmental Studies, Yale University

Rob Kelly, UNDP/Bureau for Development Policy/CDM Capacity Development

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The accumulation of greenhouse gases, primarily due to human activity, is leading to increasing temperatures and resulting in long-lasting changes in the average climate. A warmer earth, scientists from the Intergovernmental Panel on Climate Change (IPCC) warn, is likely to lead to changes in rainfall patterns, a rise in sea level, with a wide range of subsequent impacts on plants, wildlife, and humans. Depending on the pace and way in which the world as a whole develops, climate change could have very serious implications.

In this context, climate change *mitigation* -that is the reduction of emissions that result in warming- is very much a priority. Global discussions on emissions reduction have evolved from who bears responsibility to how and when to reduce emissions so that critical thresholds are not crossed. At the same time, according to the recent Stern Review, global average temperatures are likely to increase by 2-3 Degrees C within the next 50 years leading to "many severe impacts" particularly through impacts on water resources and including increasing frequency and intensity of climate variability manifested in the form of droughts and floods. As warming increases, Review warns that "the consequences of climate change are likely to become disproportionately more damaging." As a result, no matter how much success there is on reducing emissions, the world, and especially developing countries that are expected to bear the brunt of climate change, must learn to adapt to these long-term adjustments.

In this context, the United Nations Development Programme (UNDP) is undertaking a series of measures to help developing countries both adapt to climate change and mitigate its impacts through participation in international carbon markets. This article provides a brief overview of UNDP's efforts to date, the lessons learned from UNDP's experience, and a preview of future developments within these fields.

UNDP's work on adaptation

Through various bilateral and multilateral donors, UNDP is funding about \$150 million in **adaptation projects**. UNDP's portfolio covers a range of national, regional, and global interventions in 50 countries across all regions. The projects focus on enhancing sustainable development through adaptation in agriculture, water, and coastal zones. Adaptation efforts often build on ongoing disaster risk management initiatives.

UNDP's work also includes **enabling activities**, including support to 30 Least Developed Countries to prepare their National Adaptation Programmes of Action (NAPAs) as well as the implementation of NAPA priority projects, which are currently under development in more than 10 countries. For more than a decade, UNDP has invested heavily in supporting national communications and has now supported about 200 Initial and Second National Communications, including those of China, India, and Brazil.

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UNDP is currently undertaking several **new initiatives** with the following objectives:

- Build the capacity of countries in Latin America and sub-Saharan Africa to integrate climate change risk/opportunity considerations into national development planning and policymaking (for example, UNDP recently received \$90 million from Japan to assist African countries in launching integrated and comprehensive approaches to adaptation);
- Increase national government capacities to prepare climate change action and investment plans and participate in the UNFCCC process;
- Provide UNDP Country Offices with policy and technical support to climate-proof UNDP/UN programming.

UNDP's work on mitigation

UNDP and UNEP, under the auspices of the Nairobi Framework, are jointly rolling out a series of **Clean Development Mechanism (CDM) capacity development programmes**. Each programme covers a "cluster" of 5 to 6 countries, a grouping large enough to benefit from economies of scale and South-South learning, but small enough to focus on specific regional needs. Such cluster projects are already operating in sub-Saharan Africa and Latin America, and more are being planned (e.g. in Central Asia).

While capacity varies from region to region, generic factors that limit the participation of developing countries in the fast-expanding carbon market include:

- Lack of awareness among policy makers about the carbon market and the potential for integrating the CDM into overall sustainable development policies;
- Lack of capacity of some Designated National Authorities (DNAs);
- Insufficient mapping of economic sectors to assess mitigation potential;
- Lack of institutional capacity and technical resources (e.g. local consultants and experts) to develop high quality CDM projects using cost-effective methods;
- Low level of knowledge about the CDM in the local financial sector and limited access to financial resources by project developers;

Box 1: Clean Development Mechanism (CDM)

Under the Kyoto Protocol, most developed countries have agreed to limit or reduce their emissions of greenhouse gases relative to a baseline year (e.g. 1990). A number of market-based mechanisms, based on the concept of carbon trading, is expected to be used for this transition. One such mechanism is the Clean Development Mechanism (CDM).

The CDM allows 'carbon projects' to be undertaken in developing countries. A carbon project is one that reduces the emissions of greenhouse gases into the atmosphere or sequesters greenhouse gases from the atmosphere. Examples include the use of renewable energy (such as wind, hydro or biomass), the implementation of energy efficiency measures (such as the introduction of compact fluorescent light bulbs or more efficient cookstoves), and waste management practices (such as capturing the methane emissions from wastewater treatment plants, landfill dumps or animal waste).

For every tonne of greenhouse gas that is reduced, the carbon project is awarded a carbon credit, known as a Certified Emission Reduction (CER). These CERs can then be sold by the project developer, thereby generating a monetary revenue stream (denominated in hard currency, typically US dollars or Euros). The magnitude of this revenue stream varies from project to project, but can be anywhere from hundreds of thousands of dollars per year to – potentially – tens of millions.

Such projects are undertaken by project developers, who can be private-sector companies, public-sector bodies, utilities or non-governmental organisations (NGOs). The intention of the CDM is to enhance the economics of 'clean' projects and thereby incentivise more such projects to be undertaken.

- Lack of in-depth understanding of CDM rules, modalities, and approved methodologies;
- Capacity deficits in relatively new areas (such as programmatic CDM) and in areas that may become eligible for carbon trading after 2012 (such as Reduced Emissions from Deforestation and Degradation, known as REDD).

UNDP and UNEP are working together to address these issues. Activities include: training for project developers and the financial sector in each cluster; assistance for DNAs (for example, in developing sustainable development screening criteria and establishing official web-

sites); and the creation of public goods, such as 'how to' guides for project developers, national scoping studies, and investment guides for overseas carbon buyers.

The **MDG Carbon Facility** is an innovative collaboration between UNDP and Fortis Bank, an international financial services provider, to support implementation of CDM projects in underdeveloped carbon markets and sectors. UNDP and Fortis each contribute their institutional expertise, with UNDP providing project development services and Fortis purchasing and marketing the Certified Emissions Reductions (CERs).² The programme simultaneously lowers the technical barriers faced by CDM project developers (since UNDP designs and registers the project's CDM aspects on the proponent's behalf) and enhances revenue prospects through the offer of an attractive CER price at a relatively early stage in project development, thus providing the developer with a predictable income stream.

Lessons learned from community-level adaptation and mitigation efforts

In addition to a number of lessons that have emerged from national level interventions³, UNDP has also gained experience with community-level adaptation and mitigation projects. Here are some lessons learned from the Community Based Adaptation (CBA) project, followed by observations on community-based mitigation efforts.

- *Climate change impacts are being felt now.* Many communities are reporting anomalous changes in rainfall, increases in storm intensity, changes in agricultural conditions, and other impacts. These observations are supported by an increasing body of empirical evidence.
- *Separating baseline impacts caused by current, early manifestations of climate change from future climate change impacts is an abstraction for communities and a challenge for project development.* Community perceptions of future climate change risks are often

difficult to disentangle from present manifestations of climate change, and from baseline challenges related to climate variability. Many poor communities tend to have a short time horizon, making project development a particular challenge, as baseline climate challenges need to be distinguished from long-term adaptation responses. Meeting this challenge requires technical support from experts able to bridge the gap between communities and upstream stakeholders.

- *There is a high demand for community-based adaptation, but challenges in making it accessible.* Communities need support to adapt to climate change, but their capacity to access funding and other assistance for adaptation remains limited. To support community-driven adaptation, a balance of open access and targeted technical support needs to be found.
- *Climate change requires a paradigm shift towards a hands-on approach for maintaining threatened ecosystem services.* All communities rely on ecosystems for vital goods and services and many communities rely on ecosystems directly for their livelihoods. Climate change will have serious implications for ecosystem regeneration in response to human or biophysical disturbances. This will affect, often negatively, the ecosystem services upon which communities rely. Therefore, climate change adaptation will require a more hands-on approach to ecosystem management, such as removing an invasive species that may appear as a result of climate changes and threaten ecosystem services.

Community involvement and engagement in mitigation activities in the context of the CDM and other carbon markets is complex and often difficult. UNDP strives to maximize the CDM's "development dividends" which implies deep community involvement in a project.⁴ The challenge facing UNDP and other development-oriented carbon market participants is that it is often far more straightforward—and lucrative—for developers to undertake single-site, large-scale CDM projects than multi-stakeholder, small-scale, innovative projects.

² A CER is equal to one metric ton of carbon dioxide equivalent.

³ Lessons at the national level are not covered in this paper. For additional information, please contact the corresponding author.

⁴ Development dividends, as defined by the International Institute for Sustainable Development, are "...benefits to developing countries beyond those strictly related to climate change, in the areas of economic growth through investment; technological evolution; poverty alleviation; environmental and human health improvements."

Programmatic CDM (pCDM) offers one way out of this conundrum, as it is specifically intended to address the “long tail” of small-scale, discrete, and geographically dispersed activities that can offer benefits to households and rural communities but which are impractical under “standard” CDM procedures.

Another solution is to undertake projects that have “extrinsic” and development benefits. For example, the principal beneficiary of an industrial energy efficiency retrofit project may be the factory owner, but if a percentage of the CERs generated can be monetized to pay for building a local school or clinic, then the CDM will have achieved its twin purposes of reducing emissions and catalyzing sustainable development.

The future of adaptation

One of the principal challenges for UNDP's adaptation programming is that despite growing awareness key decision makers in many countries have a limited understanding of climate change's potential impacts and possible adaptation actions. Capacity development and increased awareness are essential. Another underlying challenge is that current policies and practices in many countries are often insufficient to meet baseline challenges, such as water provision or disease control, let alone the additional risks posed by climate change.

As articulated in Intergovernmental Panel on Climate Change, Fourth Assessment Report, there is growing scientific, economic, political, and social consensus that effective climate change adaptation will require long-term thinking and explicit consideration of climate change risks at the regional (cross-national), national, sub-national, and local levels. To achieve the transformational change required, climate change risks need to be routinely considered as part of poverty reduction and sectoral strategies, policies, and measures.

UNDP's vision is to “do development differently” and help countries move beyond isolated quick fixes towards a comprehensive structure for implementing a dynamic, long-term, and coherent approach to adaptation. This approach is built on four foundations: as-

essment and analysis; policy setting; financing; and knowledge sharing.

The future of mitigation

The fundamental challenge in UNDP's mitigation work is to create an enabling environment in developing countries to allow them to actively engage with, and benefit from, the \$64 billion global carbon market. This requires capacity development in the public sector and in key private support sectors such as local banks and technical consultants. Creating an enabling environment is only the means to an end: catalysing the development of CDM projects to attract the monetary and non-monetary development dividends that carbon finance can provide.

The year 2012 is a landmark date for mitigation and for the carbon market in particular. The shape of the post-2012, post-Kyoto climate change regime will dictate the magnitude, nature, and geographical distribution of efforts to mitigate greenhouse gas (GHG) emissions. Positive developments might include tighter caps on emissions, a more open embrace of Land Use, Land Use Change and Forestry (LULUCF) mitigation options, streamlined CDM rules and modalities, and a renewed focus on technology transfer and clean energy investment. Assisting developing countries to shift to sustainable, clean development trajectories must be a central goal of any serious mitigation regime.

Mitigation offers *developmental* as well as environmental opportunities. The mitigation challenge is to reduce GHG emissions while not jeopardizing economic growth in the developed world and while accelerating clean growth in the developing world. ■

For more information:

UNDP's Adaptation Programs:

<http://www.undp.org/climatechange/adapt/>

UNDP and Community Based Adaptation:

<http://www.undp-adaptation.org/project/cba>

MDG Carbon Facility:

<http://www.undp.org/mdgcarbonfacility>

Capacity Development for the CDM (CD4CDM):

<http://cd4cdm.org/>

weADAPT Collaborating on climate change adaptation

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Stockholm Environment Institute

As climate change moves up the political and development agenda, more and more people are including climate change adaptation in their planning and decision-making. The weADAPT platform (www.weADAPT.org) is a new resource for such people. Drawing from organisations with expertise in the field of climate adaptation science and practice, the platform offers a suite of innovative tools and methods, datasets, experiences and guiding principles. The aim is to make the subject of climate adaptation part of a social learning process through including information sharing about present and future risks.

The range of information offered by weADAPT serves the objectives of different user groups:

- For planners, it provides accessible information and tools to guide the development of urgent adaptation projects, including national strategies. It screens adaptation options; beginning with an inventory of practicable actions, it evaluates these options against the context of adaptation policy from stakeholder analysis. Various methods are then used to help users identify feasible and robust actions.
- Regular users can upload their experiences, share successes and challenges, and learn from each other. As this is a process of social learning, the outcomes of user's experiences are captured. This allows analysts and stakeholders at various levels of decision-making to follow the evolution of risk and the adaptive options that users have taken up. In this way, by sharing information and communicating risks, those who upload their experiences participate in building an 'adaptive community'.
- Practitioners and developers will be able to collaborate with planners and users to develop professional capacity and reflect on the practical 'learning by doing' dimension of the platform.

Principles and experiences

The weADAPT platform is based on common principles and approaches to climate adaptation and collaborative capacity building. These are:

Climate adaptation is a social process. This approach encourages us to assess and respond to climatic impacts, increase adaptive capacity and resilience to multiple stresses, and formulate plans and policies which reduce the risk of adverse future outcomes. To this end, the weADAPT portal provides access to relevant resources, experiences and guidance.

Effective adaptation equips people and institutions to cope with a wide range of contingencies. Learning is achieved through continuous re-assessments that adjust to changing conditions. The aim of weADAPT is to integrate climate change adaptation with 'good enough' practice in risk management. Decision-makers in this field are encouraged to apply analytical tools from outside the field of climate change. Rather than making simplistic either/or choices they are encouraged to consider both current choices and choices which take into the long-term effects for sustainable development.

One element, which is already available for use in this regard, is wikiADAPT (www.wikiADAPT.org). wikiADAPT is an innovative web 2.0 document tool that allows learning, exchange and collaboration between people working in a range of sectors, including water, health, agriculture and disaster risk reduction. On this site users can access information about different approaches to adaptation, find out various groups involved in the field are doing, and discover the links between adaptation and fields such as Disaster Risk Management and development.

The value of information is in how it supports decision-making. Approaches such as risk assessment, scenario development and decision evaluation, require the assembling of considerable information for decision-makers. However it is not information per se that should be the focus of attention, but rather how useful it is in supporting learning and adaptation in social behaviour. The relevance of available information is a particular challenge for climate change adaptation because of the uncertainties involved. In the complex nexus of 'what actions to take, when, how and at what cost', accurate and pertinent information on the expected risks of climatic change is often lacking. Moreover, little attention has been given to the development of pragmatic tools that help decision-makers leverage the best available data when addressing their specific problems.

Turning research results into effective decisions and policies requires flexible and scalable frameworks that can deliver information in ways that enable users to evaluate how best to apply it. weADAPT does this through the **Climate Change Explorer (CCE)**, a tool currently available in beta form. Climate Change Explorer facilitates the extraction and analysis of climate information, enabling users themselves to evaluate its relevance and assess the appropriateness of response options, and then make an informed assessment of risk.

Opportunities for local economic development

The ILO has stated¹ “Climate change is widely seen as a threat to our health, our wealth and our planet. Yet, it also presents huge opportunities for the creation of new jobs aimed at mitigating its effects through energy and industrialization policies.” weADAPT offers several avenues for knowledge sharing, communication and integration for economic development and employment.

If we look at our current knowledge and related actions to develop resilience in the face of the potential effects of climate change as shown in Figure 1, we see that most organizations are positioned on the ‘awareness’ side of the ‘awareness’ to ‘actions’ continuum and on the ‘data’ side of the ‘data’ to ‘knowledge’ continuum (i.e. the bottom left-hand side of Figure 1).

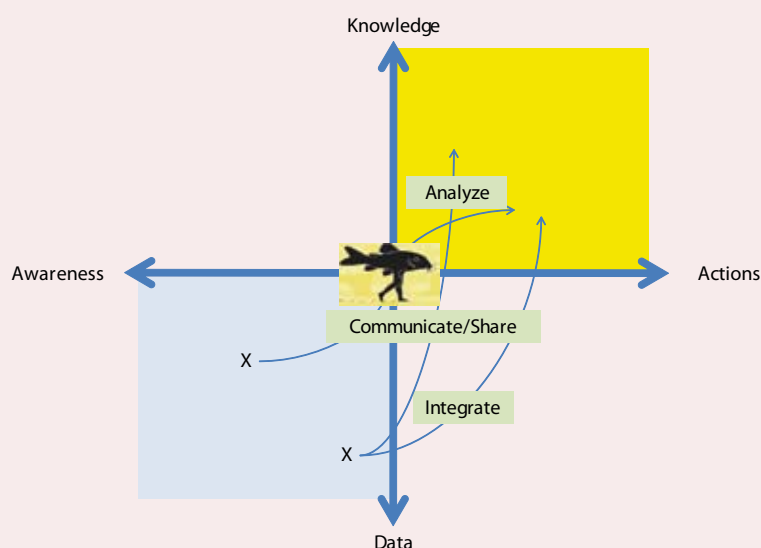


Figure 1: Opportunities for Local Economic Development

Assuming that the goal is to create actionable knowledge to take advantage of the financial flows that will result from climate change efforts, weADAPT can facilitate several pathways on the ‘knowledge’ and ‘actions’ ends of the two continuums:

- **Integration** – weADAPT provides a logical framework for data sharing and collaborative work. It gives researchers, policy makers and administrators immediate access to information at the moment they need it. The ability to integrate data from many sources in a risk assessment leads to a more comprehensive diagnostic approach: one that allows users to appropriately assist vulnerable groups.
- **Analysis** – weADAPT provides the analytic tools to visualise, describe and identify target areas where multiple needs intersect, for example where drought-prone areas affect vulnerable communities.
- **Communication and knowledge sharing** – weADAPT provides the integrated analysis for geographical targeting of project sites and justifying these choices to political and other decision-makers. Links between vulnerable groups and climate hazards are clearly shown to facilitate action and also to identify indicators for the monitoring and evaluation of project activities.

¹ “Green Jobs and global warming: ILO to discuss new initiatives for tackling climate change in the world of work”. Interview with Peter Poschen, the ILO’s senior sustainable development specialist, at the 300th session of the ILO’s Governing Body, 07 November 2007.

Local economic development and the cooperative advantage

Emma Allen

COOP-Africa and the Cooperative branch of the ILO

The Local Economic Development (LED) approach of the ILO seeks to enable strategies for sustainable development that can effectively harmonise the economic growth and social cohesion needs of territories. It promotes participation and dialogue, mobilisation of local resources, local ownership, organisation and accountability, in order to enhance job creation, income generation and the competitive advantage of territories. In this regard, the cooperative approach to development, which promotes entrepreneurial self-help, offers a very complementary strategy that can reinforce the objectives of the LED approach.

Like all forms of enterprise, cooperative¹ enterprises create opportunity for income generation and employment, increase the local availability of goods and services, and contribute to the growth trajectory of territories. However cooperative enterprises differ from private enterprises in their connection to community, their underlying ethics and their democratic principles. These differences make cooperatives an important tool for LED since their values take broader social issues into account in contrast to the more purely profit-driven values of private enterprise. Decisions taken by cooperatives tend to balance the need for profitability with the social and cultural interests of their members. Cooperatives are owned by those who use and benefit from the services provided; a characteristic which leads to greater responsiveness to the needs of members and the communities within their area of operation.

Those involved in the cooperative movement have collectively agreed to a defining set of principles, values and ethics. The schema in Figure 1 offers a reminder of how cooperative enterprise guides members' relationship with each other and the cooperative's relationship with society.

The ILO and Cooperatives

The ILO and cooperatives have a history dating back to the ILO's constitutional document in 1920. From that point forward, the ILO has had a specific mandate for cooperative development. The work of the ILO's Cooperative Branch has focused on mobilisation of the cooperative self-help mechanism, especially in regard to:

- Provision of policy and legislative advice to ILO Member States;
- Support of human resource development and capacity building of cooperatives;
- Promotion of cooperatives and their impacts on employment through technical cooperation activities;
- Raising the profile of cooperatives through advocacy and sensitization campaigns.

The overarching objectives of cooperatives are defined by the economic, social and cultural needs and aspirations of their members. When the objectives of a cooperative enterprise work in synergy with one another they add meaning not only for members, but also for the broader community. The cooperative approach is not solely focused upon growth. Indeed, it can be argued that concern of the cooperative enterprise for local human and natural resources enhances social cohesion within a territory and offers a sustainable competitive advantage. A cooperative developmental approach is therefore far more likely to enhance the *development of a territory* than *growth in a territory*.

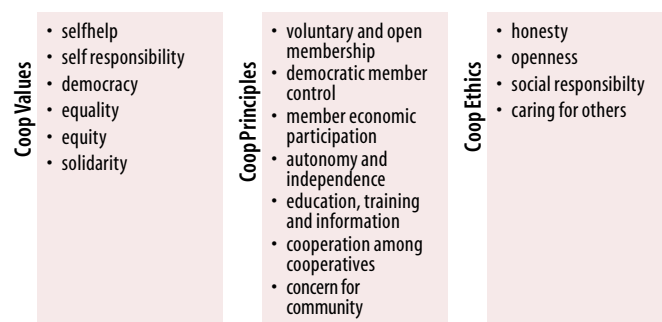


Figure 1: The Three Pillars of Cooperative Enterprise

¹ "A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise". Source: ILO, The Promotion of Cooperatives Recommendation, 2002.

Many people underestimate the size and the impact of cooperatives: the extent of their membership, the number of jobs they have created, and the support that the cooperative approach has throughout the world. Ranging from micro-scale organizations to multi-million dollar global enterprises, cooperatives are estimated to employ more than a hundred million people and have more than 800 million individual members. In 2006, the world's top 300 cooperatives were estimated to have an annual turnover of US\$963 billion, which is equivalent to the GDP of Canada.

Cooperatives have traditionally been concentrated in sectors concerned with agriculture, finance, housing, wholesaling and retail. In recent times cooperatives have been diversifying into childcare, tourism, utilities, transport, health care, schools and many other industries.

Internationally, increased competition associated with globalisation has weakened local economic structures. This has created a great need for territories in comparatively weaker positions to develop innovative strategies to enhance their sustainability. Given the current economic climate and the relative economic stability of the cooperative model (as seen in its low incidence of bankruptcies and enterprise longevity), cooperatives, together with other forms of member-based organisations (such as small business associations or producer organisations) have some interesting qualities that can help to enable LED.

Firstly, the cooperative model has a number of economic advantages that can foster stability and sustainability within a given territory. For instance, most cooperatives were originally formed at the grassroots level in response to a need for organisation and mobilisation in order to improve economic, social and cultural outcomes. The democratic nature of member control in the cooperative model has the effect of enhancing enterprise stability since growth strategies tend to reflect the long-term interest of members rather than short-term profit maximisation strategies. Stability is further enhanced because the cooperative equity base (i.e., the members) is not mobile and because cooperatives have a tendency to trade with other cooperative firms with a similar enterprise culture.

The act of pooling resources allows members to improve their negotiation power in commercial transac-

The promotion of Cooperatives Recommendation, 2002

In 2002 the ILO adopted Recommendation No.193 concerning the promotion of cooperatives. The Recommendation includes work done by the International Cooperative Alliance, which outlines universally recognised values and principles of cooperatives. The Recommendation is relevant for all constituents of member states, including governments, employer organisations, worker organisations and cooperative organisations. It recommends embracing measures to promote job creation and income generation, and to enhance the capacities, capabilities, responsiveness and sustainability of cooperative organisation.

The Recommendation advises that governments provide cooperatives with a supportive regulatory and institutional framework. It encourages greater synergy between employers', workers' and cooperative organisations. It calls for institutional support to be provided to allow for those in the informal sector to move into the formal economy. Most importantly, the Recommendation obliges all stakeholders to respect the autonomy and independence of cooperative organisations clear identity.

This Recommendation seeks to overcome the shortfalls of previous regulatory environments, which saw cases of state control, lack of institutional support and regulation, and the absence of a all of which have led to the perversion of cooperative principles. Recommendation 193 marks a significant milestone of progress for cooperatives.

tions, increase their economies of scale, and expand their asset base – all of which help the enterprise to respond more effectively to risks. Pooling also creates a platform for sharing information about new production techniques and market opportunities, which can enhance the potential of cooperatives to be innovative and efficient. A good example comes from the case of transport workers in Kigali, Rwanda.

Secondly, cooperatives have strong potential for improving working and living conditions in the territories in which they operate. This is largely attributable to the wide variety of commercial and non-commercial activities in which they engage, which contribute to local economic growth and can also enhance social conditions. For instance, cooperatives often operate in comparatively disadvantaged and under-serviced territories, which tend to be less attractive for other private enterprises. Cooperative micro-insurance schemes can increase social protection by providing the vulnerable groups with greater capacity to cope with income losses due to illness, environmental hardship and other unexpected events that entail loss of productive assets. The work of savings and credit cooperatives has been most successful at providing

Assetamorwa: a cooperative transport enterprise

In Kigali, the capital of Rwanda, the costs of entering the private taxi industry are prohibitive. For many the only option is to lease motorbikes from local entrepreneurs at exorbitant rates, which does not allow even allow the entrepreneurs to reach the one-dollar-a-day poverty line. By organising into a cooperative, those wanting to provide transport services were able to pool resources and collectively purchase 57 motorcycles to share amongst each other. For a group of people who were previously unorganised and working in the informal economy, this was a considerable achievement. Since forming a cooperative, the group's negotiations with local government and traffic police have become more fruitful, their incomes have increased, they have formed a health and insurance fund, and they are exploring options to extend their credit facilities to the broader community.

Source: Smith, S. & Ross, C. (2006) *How the SYNDICOOP approach has worked in East Africa -- Organising out of poverty: Stories from the grassroots movement*, a joint publication of the ILO, ICA and ICFTU.

affordable financial services to vulnerable groups. Cooperative enterprises have also engaged in activities such as construction of schools, hospitals and other forms of community infrastructure.

Thirdly, cooperatives support the *economic, social and cultural* aspirations of their members. As most cooperative organisations are typically rooted in a particular territory, they can influence the LED trajectories of their territory and in the process help to make the policy process more participatory in nature. Their organisational form enables the voicing of member interests as well as the interests of the broader community to which members belong. The involvement of cooperatives can mean that strategies for development are more reflective and representative of the territory's needs and priorities.

Finally, cooperatives can help to reinforce the embedding of the territory within the broader economic, social and political landscape. The principle of 'cooperation amongst cooperatives' across both their vertical structures and horizontal networks performs an important role here. For instance, working with cooperative unions can enhance territory connection to value chains and markets within and outside the territory. Affiliation with cooperative federations can help to provide input for policy across both national and international arenas, which is reflective of local concerns and practices. The structural organisation of the cooperative movement can

therefore enhance the effectiveness, representation and sustainability of locally based approaches in the context of overall development. Indeed, supporting cooperative structures and the cooperative movement in general can be an effective way for the international community to support development that genuinely enhances the living conditions of communities, lifts people out of poverty and prevent people from falling into poverty in the first place.

The cooperative model offers a strategy which allows people to pool their resources, skill and labour in ways that allow them to more effectively meet their needs, while enhancing wellbeing within the territory community. The cooperative approach to development offers a useful mechanism for linking the needs of territories with local and national development trajectories. While cooperatives do not offer a panacea for the many LED challenges, they do have some intrinsic advantages that merit our full attention. ■



Research undertaken in Africa during 2005 revealed that cooperatives were entering a period of renaissance, which would make them key actors in the struggle to eradicate poverty and social exclusion. However, to enable such transformation, cooperatives would need greater visibility, a stronger voice, superior governance, further diversification, a favourable legislative and institutional environment and improved horizontal networks and vertical structures. The response to this need comes in the form of a 'Cooperative Facility for Africa' or COOPAfrica.

COOPAfrica is a partnership initiative primarily funded by DFID and implemented by the ILO. COOPAfrica currently covers nine countries in Eastern and Southern Africa. Its areas of intervention include:

- Establishing an enabling legal and policy environment;
- Improving services for cooperatives through centres of competences (such as cooperative colleges, research centres, NGOs);
- Promoting effective coordination structures (cooperative unions and federations).

Through its Challenge Fund for innovation, training and services, COOPAfrica allocates funds to organisations (cooperatives, SMEs, banks, NGOs) through a competitive application process, in order to strengthen the cooperative movement throughout the region.

www.ilo.org/coopafrika

Decentralisation and the challenge of institutionalising local economic development

Some practical insights from the South African experience

Faith Lawrence and Tim Hadingham

Advisors on Local Economic Development to GTZ's Strengthening Local Governance Programme, South Africa

South Africa's relatively young democracy has brought with it a range of opportunities but also a host of challenges for the practice of local economic development (LED). The local government reform process that took place in the 1990s placed development planning, and with it LED, firmly within the responsibility of local government. This was primarily motivated by the proximity of local government to local communities but also by the need to ensure that participatory governance was firmly entrenched in the way in which the state evolved and was constituted. A host of policies, legislation, systems and frameworks were put in place in support of this new developmental role for local government.

This article provides a brief overview of the context of LED in an evolving and learning system of local governance in South Africa. It draws on some of the strengths of policy in practice but also highlights some of the challenges that are still being faced with institutionalizing LED. It concludes with some observations and lessons that may be applicable elsewhere.

Decentralization, LED and the South African development landscape

In recent years decentralisation has been increasingly mainstreamed into the programmes of international development agencies. In essence decentralisation refers to "the transfer of political power, decision making capacity and resources from central to sub-national levels of government" (Walker, 2002).



Downtown Tshwane Metropolitan area

While many of the arguments for instituting decentralisation in South Africa were similar to those made in support of decentralisation programmes elsewhere in the world, the post apartheid government did not pursue a formal decentralisation agenda but rather ensured that the principles of such a process were implicit in a more general process of governance reform. This was evident in the policies, structures and systems that provided the foundation for the new developmental role of local government, under the curatorship of the National Department of Provincial and Local Government (DPLG).

Amongst the array of legislative reform that took place, new impetus was given to the role of LED in the governance arena. Whereas before LED was confined to SMME projects and survivalist type initiatives, policy makers in government started to make the connections between the enabling role of local government and the economic and social spin-offs that could come from sound local economic development strategies and practice.

The White Paper on Local Government (1996) crystallised this new role when it stressed that local authorities needed to make the link between local planning and the promotion of sustainable local economies. To this end important groundbreaking legislation was put in place that further entrenched this new way of managing localities. Central to the new approach was the introduction of Integrated Development Planning (IDP) which required that planning and development prioritisation were undertaken in a participatory manner. It is within this context that the notion that local government should take an enabling role in LED began to emerge and become the explicit responsibility of local government.

The LED Framework

The DPLG's response was to develop a framework for LED that aimed to enhance the developmental role of the state by "support(ing) the development of sustainable local economies through integrated government action" (p2). It also sought to present a guiding framework that speaks to a strategic implementation approach that is inclusive of state and non-state actors.

The framework implicitly acknowledged that local economies operate and are influenced by a multitude of complex stakeholders and networks, and the interaction amongst these players contributes towards the dynamism and vibrancy of localities.

The framework has seven key objectives.¹

1. To shift towards a more strategic approach to the development of local economies to address challenges and previous failures;
2. To support the optimal realisation of locality potentials and the linking of this with the national economy;
3. To elevate the importance and centrality of effectively functioning local economies;
4. To wage the national fight against poverty more effectively through debate, strategies and actions;
5. To improve community access to economic initiatives, support programmes and information;

6. To improve the coordination of economic development planning and implementation across government and between government and non-governmental actors; and
7. To build greater awareness about the importance and role of localities and regions which globally are playing an increasingly significant role as points of investment.

In addition to these key objectives, the framework also recognizes a need for a more targeted approach to locality development if local economies are to be enhanced. Four strategic interventions are recommended in this regard:

- a. Improve good governance, service delivery, public and market confidence in municipalities;
- b. Spatial development analysis and planning through exploiting the comparative advantage and competitiveness of the 52 municipal regions;
- c. Intensify enterprise support and business infrastructure development in local areas; and
- d. Introduce sustainable developmental community investment programming.

The framework also calls for the establishment of an LED intergovernmental forum, as well as an excellence network focussed on research, knowledge and sharing of information.

Reflections on progress

Since the emergence of developmental local government some important observations and lessons regarding the practice of LED have started to emerge.

Some positive gains include:

- The national framework for LED in South Africa
- The government-wide Strategic Agenda for Local Government which placed LED firmly on the Inter-governmental Agenda;
- A drive to ensure that all provincial, district and local authorities have sound economic profiling that

¹ Abbreviated. Taken from *DPLG: Stimulating and Developing Sustainable Local Economies: National Framework for LED in South Africa* (2006-2011).

can inform strategic decisions on comparative and competitive advantage;

- An increased availability of training for LED officials across the country on various LED topics;
- A national emphasis on the creation of vibrant local economies that would feed into regional development and growth;
- Planning alignment has improved significantly especially in urban areas;
- The development of a variety of instruments and tools now covering a range of areas including stimulating competitiveness, strategy formulation, identifying catalytic interventions and managing LED processes; and
- The establishment of an LED Practitioners Network.²

Emerging challenges

The challenges that LED faces as it seeks to take root in the local government environment tend to coalesce around five broad, inter-related themes: organisational arrangements, inter-governmental linkages, economic analysis; the engagement of non-state actors and the development of LED capacity.

Organisational arrangements

The status that the LED function is accorded varies widely between different municipalities, and consequently the power and access to resources that this function is able to command is also highly variable. The LED function is rarely located in its own department and most often operates as a unit in a larger department such as planning or community services. Furthermore, the delivery of basic services is given priority over LED activities, both in terms of political support and access to resources.

The problem of where to locate the LED function within the organisational structure of the municipality is further intensified by the nature of LED and the necessity for frequent interaction with local markets. The fluidity and vibrancy of opportunities in local markets often require different decision making and resource flexibility than what is usually the case in the daily functioning of municipali-

ties. Such dilemmas, compounded by excessive red tape, often result in missed investment opportunities. Considerable work is therefore still needed on alternative LED institutional arrangements if a more dynamic and vibrant economic environment is to be achieved.

Intergovernmental linkages

While the responsibility for LED falls within the sphere of local government, executing strategies and plans developed at the local level are directly impacted on by decisions and resource allocations made by other spheres of government. While mechanisms such as inter-governmental forums have been put in place to facilitate the relationship between the different spheres, this does not negate the compliance costs arising from inter-governmental procedures, processes and budgeting deadlines.

Local government is not only reliant on other spheres for funding and implementation support, there has also been an attempt to establish coherence between the policy and planning instruments used in the different spheres. An example of this is the way in which local integrated development plans, provincial growth and development strategies and the national spatial development perspective broadly reflect and are reflected by each other.

LED at the local level does not receive the same direct funding support from other spheres of government, as other local government services such as the provision of water, sanitation and housing. Consequently, funding for LED activities has to be drawn from other sources, such as the municipality's own revenue, or alternatively these activities have to be "piggy-backed" on activities funded by other spheres of government. This situation is aggravated by the fact that the limited availability of direct funding for LED does not reduce the political pressure to deliver LED outcomes.

Economic analysis

The decentralisation of LED functions is a response to a number of perceived benefits that accrue from performing these functions at a local level. These benefits relate to both the way markets operate in terms of allocation efficiency and the availability of accurate information on market performance and prices, as well as to more ge-

² See article by Tim Hadingham: *The South African LED Network: From Spectator to Participant*.

neric governance concerns such as accountability and responsiveness.

Markets operate in localised spaces where buyers and sellers come together. This is true even of global markets which have to have a physical presence (even if this is in a virtual space). The proximity of local government to the grassroots gives it a unique and profound understanding of local conditions. Consequently, local government is well placed to respond to market failure and ensure that resources are allocated both efficiently and equitably.

The availability of accurate information is often seen as key to the effective functioning of markets. The assumption is made that the local government institution has sufficient capacity and sensitivity to market conditions to ensure that the effects of market failure are minimised or the operation of markets are enhanced.

In terms of governance, the local sphere of government is seen to be the most responsive to local needs and issues. In theory, the decentralisation of power and resources to this sphere allows local government to respond more rapidly and more appropriately to changes in local conditions than more centralised institutions of governance. However, this is frequently not the case in South African municipalities that are characterised by low levels of skills and capacity.

Engagement of non-state actors

The involvement of non-state actors, the private sector and civil society, in local government driven LED initiatives has been limited. The private sector in particular has a pivotal role to play in LED as not only are they the main source of employment creation but also contribute to the dynamism and quality of a specific locality's economy. It is therefore important that the varying yet complimentary interests of private and state sectors converge in a constructive and positive way.

Increasingly emphasis is being placed on constructively managing the dialogue between state and non-state actors. Mutual suspicion exists between the public and private sector that makes the dialogue between the two groups difficult. This mistrust is essentially premised on a divergent set of ideological beliefs (and consequently differing priorities) with government believing business

is anti-poor and business believing that government is welfarist and anti-profit in its outlook. The private sector's apathy towards local government LED initiatives has been further enhanced by its experience of local government bureaucracy, red tape and unproductive "talk shops" where much is promised but little of benefit to the private sector is actually produced. These inherent tensions between the public and private sectors are compounded by the apartheid legacy of a predominantly white-owned and controlled private sector and a predominantly black public sector.

The idea that the priorities of public and private sector are not necessarily mutually exclusive has yet to take hold universally, but where this understanding has taken root the LED agenda has notably progressed. Notwithstanding these differences and complementarities, local government has battled to provide an enabling environment that enhances and capitalises on the natural assets of a locality, while at the same time convincing private sector stakeholders to become involved as a partner in implementation activities.

LED capacity

Institutionalising LED in South Africa has illuminated a number of serious capacity challenges that continue to affect the impact and pace of local economic development. Despite significant resources ploughed into this field, much more is still needed to create 'the vibrant and dynamic economies' that the LED framework envisages. The quality and qualifications of personnel in key LED portfolios and the inability of incumbents to negotiate and strategise with the often intimidating private sector are a big stumbling block to the effective implementation of LED initiatives.

It could be argued that capacity gaps in municipalities have left an unhealthy dependence on private consultants who are contracted to design and advise municipalities on LED strategies and implementation plans. In many instances these consultant-driven strategies are based on desk research rather the outcomes of participatory processes that provide a picture of the "real" local economy. A comprehensive capacity building programme targeted at both public officials and private sector consultants is needed to improve the content, quality and management of LED initiatives.

Limited LED capacity has resulted in municipalities focussing on compliance with statutory requirements rather than attempting to proactively manage economic opportunities that could have widespread local impact.

Conclusion and observations

The article provides a brief overview of the context of LED in an evolving environment of local governance in South Africa. It outlines some of the strengths such as a comprehensive LED framework but also some of the challenges. Some key lessons so far include:

- There are multiple public, private and community actors involved in LED and it is important to ensure shared responsibility in locality development;
- Understanding the social and political context of an area and building trust relations is important if one is to win the support of local leadership and work towards sustainable economic solutions to local conditions;
- Intergovernmental planning and management is crucial especially around infrastructure investment, service provision and locality development, as well as in order to avoid duplication of services and wastage of resources;
- Having the right expertise to manage and drive LED initiatives is crucial and considerable resources need to be ploughed into developing individual capability;
- It is important to ensure that capacity programmes extend beyond the individual to a more holistic process where institutions are strengthened and environments are changed;
- The private sector plays a critical role in unlocking economic potential in a locality. It is important that

local government is able to work in collaboration with the private sector to unlock this potential and transform the local economy into a vibrant and dynamic one. The challenge is to ensure that local government officials are equipped enough to negotiate, debate and strategise with the private sector around common interests;

- It is important that capacity building programmes are designed to include private consultants who are often contracted to develop LED strategies, projects and implementation plans. This will ensure that participatory and appropriate methodologies and tools are applied in the conceptual and execution phase of strategy and programme development;
- There is no universal institutional arrangement that can ensure the effective implementation of an LED programme. Finding the right arrangements to make things work given local constraints will go a long way in ensuring sustainable LED initiatives;
- Managing information and ensuring a steady flow of accurate information is an important stepping stone in addressing issues of mistrust and confusion around LED decisions.

Finally, each country embarking on an LED programme has to find its own distinctive approach given its unique features and historical context. LED practice in South Africa is still evolving and no doubt there are still many more lessons to be learnt. What is clear is that LED is complex, multi-dimensional and multifaceted and there is no single solution to creating an enabling environment for LED to thrive. However, it is critical that LED is given the prominence it deserves in local government decision making and that issues of economic development become central to the developmental agenda of a locality. ■

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Indigenous peoples and local economic development

Jannie Lasimbang
Asia Indigenous Peoples Pact (AIPP)

Principles of indigenous economic systems

Indigenous peoples have long developed a variety of systems to govern their societies. Their traditional and local economic systems ensured sustainable utilization of resources, social responsibility and harmonious relationships through cooperation.

Communal perspective on reciprocity and social responsibility

Two of the main principles of indigenous economic systems – reciprocity and social responsibility – are enabled by a strong sense of sharing and kinship among indigenous communities. These communities seek to meet the basic needs of all their members through the sharing of food, labour or implements. Gender relations and division of work in some communities are well defined and, in general, agricultural work is done collectively.

The principles of reciprocity and social responsibility are integral to indigenous peoples' lives and rituals and have been incorporated into their customary laws. Any person who breaks the law – even in a relatively minor way, such as giving the wrong part of an animal to the wrong person in the community – can be subjected to the traditional judicial system.

Sustainability of resources

A third principle is the sustainable use of resources. The lifestyles of indigenous communities are relatively simple, in line with their practice of sustainable resource management. As a rule, they use local materials for their crafts and tools, discourage wasteful use of resources, and practice zoning for different land uses. They have regulatory mechanisms in place to ensure sustainability. These mechanisms are integral to customary law and



Karen woman in a field of rice and cassava, Thailand

are usually supervised by the village chief/head. From a young age, community members are made aware of their laws both by witnessing them in practice and being told about them.

Characteristics of indigenous economic systems

Indigenous economic systems are characterized by a diversity of small-scale economic activities along with regulation of territories, land and resources. Production is of a subsistence nature. Barter trading is integrated with social interaction.

In Asia, most indigenous peoples are primarily small-scale agriculturists, fishing, hunting and gathering from nearby forests. Other activities include animal husbandry, together with traditional economic activities that support agriculture and involve artisans such as weavers, carpenters, carvers, and blacksmiths.

Since access to land and resources is central to indigenous peoples' livelihoods, most have elaborate land

distribution systems and customary laws regulating the use of resources. Annexation of land, and the historical process of displacement of many indigenous communities from their ancestral territories, has had devastating consequences, not only in terms of loss of land and livelihood, but also loss of bargaining power. As a result, in many areas and territories, indigenous communities have not had the means to develop local economic markets.

Another characteristic of indigenous economies is the subsistence nature of production. Food is produced primarily for the family and the community with any surplus being marketed first within the village, then at barter centres. Likewise, implements and tools are produced for local use. If the services of skilled artisans are in great demand, it is quite likely that they first will serve their kin before offering services to others in the community, and only after that to those outside of their village.

The exchange of goods through bartering has traditionally been, and is still, part of the economic system of indigenous peoples. Barter centres may be located in the village or in larger centres which may involve many days of walking or cart rides, although the distribution of these centres has increased over time as infrastructure has improved. In village centres bartering is a daily activity, while in larger centres it may take place monthly or less frequently. The nature of the goods exchanged is invariably premised on availability as opposed to current value.

To indigenous communities, barter trading is not only an economic necessity it is also a form of social interaction, particularly if the barter centres attract other communities. It is an opportunity to share stories and exchange experience. To this day, despite improved communication and modern-day supermarkets and shops, indigenous peoples look upon traditional marketplaces as exciting, with market days eagerly awaited.

Indigenous economic systems as part of a whole

Any indigenous economic system is part of an economic and social totality that connects and governs the lives of its peoples. Social responsibility and reciprocity are embedded into behavioural norms within indigenous social systems. Ensuring the sustainability of resources is

part of the spiritual system and the indigenous resource management system. Small-scale production, moderate catches of fish, or moderate harvests of local resources using non-destructive tools characterize livelihoods.

Experiences and challenges: integration with the market economy

The modern economic system has penetrated indigenous societies, affecting traditional economic systems to varying degrees. Indigenous economic systems are under increasing pressure to conform to a globally-defined system. Whereas this has provided opportunities for some it has meant severe challenges for many. Although forms of market economy are part of both modern and traditional societies, the emphasis is very different. Traditional systems focus on supplying the basic needs of the local community through need-based barter trading and the marketing (also often through bartering) of any subsistence production surplus, whereas the focus of the global economy is on supplying the demands of others.

This balance is now shifting. As the demand for cash grows, and more and more indigenous peoples move away from subsistence production to more commercial forms of production. Despite this shift, very few indigenous communities seem to have genuinely profited from their integration into the market economy. Instead, many have lost precious resources such as agricultural lands to loan schemes and contract farming schemes. Access to markets is still limited, and communities that want to market their goods very often have to operate through third parties who take the biggest piece of the pie. Indigenous producers have very little control over the pricing of their goods as their bargaining power is limited, and they are subjected to the fluctuations of the market.

Despite years of experience and numerous efforts to form cooperatives, the situation of most indigenous communities has deteriorated. To compete in the open market, many indigenous farmers are forced to use chemicals, while others such as craft producers and fisher folks have over-exploited their environment in order to increase production and, in many cases, in an attempt to maintain an increasingly consumerist lifestyle.

Opportunities: recognizing indigenous economic systems

Realizing that they are caught in a vicious circle through their integration into the market economy and globalisation, many indigenous peoples have become increasingly convinced that they have to look within their own systems if they are to survive and maintain important communal values. In one notable regional initiative, Asian indigenous organizations came together under the banner of the Asia Indigenous Peoples Pact Foundation (AIPP) in 2003 and 2004. The purpose was to conduct a region-wide study, to hold workshops on indigenous peoples and their integration into the market economy, and to look at the strength that indigenous economic systems offer. The workshops were followed by a series of annual conferences on indigenous development, starting in 2005. The conferences opened the way for more people to reflect seriously on the question of integration and to chart a development course that would maintain indigenous systems.

The September 2008 indigenous development conference focused on indigenous economic development. The trend of thinking thus far has been to promote indigenous economic principles, create niche markets for indigenous products, promote legal recognition of traditional occupations, and promote a human rights-based approach to development.

Promoting indigenous economic principles

Indigenous peoples recognize the enormous challenge in promoting indigenous economic principles in the face of globalisation and consumerism. As such, even where indigenous societies have resigned themselves to joining the market economy or other forms of economy, it was felt at the conference that as far as possible, the principles that guide indigenous peoples in their traditional economic systems should be promoted and passed on to the next generation.

Indicators of a healthy indigenous economic development were outlined at the founding conference on indigenous development in 2005. These included the following:

1. Indigenous knowledge systems are intact and actively promoted, in particular indigenous economic

systems, natural resources management, and indigenous technology;

2. Interface with modern technology does not take over indigenous technology;
3. Promotion and development of indigenous skills and knowledge of natural resources management and indigenous technology;
4. Environmental integrity in indigenous territories;
5. Traditional institutions actively enforce sustainable use of natural resources;
6. Customary laws to regulate technology and resource use exist and are practised;
7. Indigenous peoples own, and have control over, their lands and natural resources; and their collective rights to lands and resources are recognized by government and non-indigenous peoples;
8. Active lobbying against globalisation that impacts indigenous peoples' lives negatively;
9. Transparent and fair systems of resource distribution in the community;
10. Indigenous economic principles are being encouraged, practiced and maintained; and
11. Subsistence economy and barter trading is recognized and thriving.

Creating a niche market for indigenous products

In the light of consumer trends that show an increased preference for goods that are produced under fair and equitable conditions and that do not harm the environment, some believe that creating a market for products based explicitly on indigenous economic activities may provide a niche for indigenous peoples. Whereas "playing the global card" could be an opportunity for indigenous peoples. In any case developing markets for indigenous products need not necessarily be based on the exchange of products for money: they could involve barter trading between communities, within or outside a country. Some popular and successful ideas include small-scale exchanges and fair trade. Such ideas would have to go hand-in-hand with consumer campaigns and campaigns to convince indigenous peoples to analyse their productive strengths.

Legal recognition of traditional occupations

If a successful market niche for indigenous products is to be created, producers need to be formally recognized and respected. More significantly, legal recogni-

tion would mean respect for the principles of indigenous economic systems and give indigenous peoples freedom to practice indigenous economic activities and apply indigenous economic principles. Articles 3 and 20 of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) would therefore be important rallying points to push for the recognition of indigenous economic systems¹. This could be supported by Article 1(a) under Convention 111 on Discrimination (Employment and Occupation) 1958 of the International Labour Organization (ILO) which could fit into the definition of discrimination of traditional occupations².

Farming, fishing and herding are the mainstay of indigenous economies. Indigenous artisans including weavers, carpenters, carvers and blacksmiths have been serving indigenous communities for millennia. The non-recognition of these traditional occupations by governments has led to discrimination against such occupations, and their subsequent marginalization has resulted in significant loss of income and of traditional knowledge. The condemning of rotational agriculture/shifting cultivation as destructive to the environment has resulted in loss of lands and violation of the rights of indigenous peoples in many countries in Asia, when in fact shifting cultivation is now recognized as one of the most sustainable forms of land use. This form of cultivation has been recognized in the global climate debate along with indigenous peoples' traditional knowledge of sustainable land use.

The recognition and the formulation of laws and policies on Indigenous Economy would contribute to the implementation of the UN Declaration on the Rights of Indigenous Peoples (UNDRIP), and establish respect for traditional occupations not only by states but also by society as a whole. Articles 21 and 23 of the UNDRIP recognize the rights of indigenous peoples to improve and develop their economic conditions. Other international instruments that promote indigenous economic systems include ILO C169 and the Convention on Biological Diversity.

A human rights-based approach to indigenous economic development

The guiding principles of national laws or policies on indigenous economic development could promote indigenous economic principles as well as recognise the rights of indigenous peoples to establish traditional economic institutions. Some of the actions that should be further pursued are the provisions for:

1. Equal access to credit services and markets, including providing credit facilities to indigenous producers, providing better infrastructure and marketing facilities, and establishing barter centres and fair valuation of indigenous products.
2. Establishment or recognition and revitalisation of indigenous economic institutions, including recognising traditional institutions that govern natural resources in indigenous territories, establishment of traditional occupation training centres, allowing indigenous peoples to freely share knowledge among themselves, and supporting development and improvement of indigenous economic conditions.
3. The practice of non-discrimination towards indigenous artisans and traditional economic activities through the legal recognition of traditional occupations and incorporation of traditional economic activities into formal (state) economic systems.

In conclusion, indigenous economic development is one of several interrelated systems that govern the way of life of every indigenous community. The concept ensures that as an indigenous community develops, it avoids exploitation of its members and of the environment, which is why traditionally there is only a narrow gap in living standards between the richest and poorest members of a community. Indigenous peoples should be encouraged in their vision of an integrated economic development system that encompasses the development of human capabilities, capacities and skills; appropriate infrastructure that does not displace people; recognition of pluralistic systems respecting other cultures and civilizations; promotion and provision of a democratic space to continue practicing indigenous ways of life; and the pursuit of self-determined development. ■

¹ Full text of the United Nations Declaration on the Rights of Indigenous Peoples (A/RES/61/295) available at: <http://www.un.org/esa/socdev/unpfii/en/declaration.html>.

² *Discrimination* includes any distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation.

Territory, opportunities and fairness: the Chile Emprende programme

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We need to implement policies that allow a fairer distribution of revenue, support high growth rates and help eradicate the poverty that is making its presence felt with force within Chilean society. The Chile Emprende programme was set up in 2001 and since then has blazed a trail in its quest to find alternative ways to promote economic growth with social inclusion.

Background to the Chile Emprende programme

Chile Emprende is a Chilean Government initiative that seeks to develop business and employment opportunities that draw on the potential of micro and small enterprises in specific territories.

For the purposes of the Programme, 'territories' are considered to be:

- Groups of municipalities that share the basic components of a common identity;
- Areas with a relative geographical, social, cultural and productive consistency that offers a basis for the development of common and complementary opportunities;
- Areas containing a critical mass of private, municipal and public actors, willing to work and invest to seize and benefit from the opportunities they agree to develop.

Thirty-nine territories distributed in all regions, including 175 municipalities, are currently working with the Programme. This amounts to more than half of the municipalities in the country, inhabited by more than one third of the Chilean population: about 6 million people in all.



The colonial district "Barrio Brazil" in Santiago, Chile

The Programme began back in 2001 as a pilot project in 10 territories, sponsored by the National Institute for Agricultural Development (*Instituto Nacional de Desarrollo Agropecuario, INDAP*); the Solidarity and Social Investment Fund (*Fondo de Solidaridad e Inversión Social, FOSIS*); the National Training and Employment Service (*Servicio Nacional de Capacitación y Empleo, SENCE*) – and the Technical Cooperation Service (*Servicio de Cooperación Técnica, SERCOTEC*). At that time, the top executives of these organisations formed a voluntary alliance to implement a new method of managing production development in a quest for alternative public policies that make it possible to progress towards greater fairness.

In 2004, an intermediate assessment carried out with the technical assistance of the ILO (www.chilemprende.cl, Library section) revealed that the Programme was making headway and Chile Emprende officially came into being through a Presidential Order and Decree regulating

its operation. The programme was also rolled out to the rest of the country, establishing mechanisms to coordinate the network of production development institutions and also to organise relations between regional and territorial levels.

In 2006 it was also allocated its own budget with its own specific clause in Chile's National Budget law that laid the legal basis for the Programme, in conjunction with the Presidential Decree and Order.

In 2007, the National Tourism Service, SERNATUR, joined it officially as a public authority member.

Programme strategy

The strategy promoted by Chile Emprende is supported by three pillars that interact with one another: public-private management, development of business and employment opportunities and territorial focus.

The public-private management is pursued by setting up working groups in participating territories that are known as Public Private Councils. These are made up of entrepreneurs, business networks and guilds; the mayors of the municipalities involved or their territorial associations; the regional directors of public services concerned with production development - and sponsors of Chile Emprende.

These groups are responsible for the process of building and implementing the Territorial Economic Development Plans that aim to seize and benefit from business and employment opportunities open to small enterprises in the territory. The principle behind their actions is that improved competition between micro and small enterprises (MSEs) will create jobs and improve the quality of employment on offer.

This competitive potential can be unleashed by the territory itself, calling on its own distinctive economic, social and cultural fabric and also its own resources. For this reason, most of the initiatives included in the Territorial Economic Development Plans aim to ensure the territory and its actors are endowed with the necessary conditions and capabilities. These conditions and capa-

bilities are specific and particular to each area and also determined by the shortfall to be made up between the situation of local MSEs and the standards demanded by markets before the opportunities identified can take on substantial form.

SOURCE: PATRICIA VALLEJO



Valparaíso, Chile

Citizens' Agreements

Since 2006, the Territorial Plans have been negotiated in the course of Citizens' Budget Planning Seminars that are held at regional level and last for one or two days, depending on the number of territories included in the Chile Emprende programme within each region.

At the seminars, each Public Private Council presents agreed targets that their members have committed to for the following year, in their respective Territorial Development Plans. At the same time, they also report on resource contributions pledged by Territorial Plan contributors to finance the campaigns that will allow the achievement of these results. The *Plans* are therefore funded from three sources: private contributions, contributions from the municipalities and regional public services from their regular programmes - and contributions negotiated with Chile Emprende.

The negotiations conclude with the formal signing of a Citizens' Territorial Development Agreement (sample *Citizens' Agreements* can be found on www.chilemprende.cl).

The Citizens' Agreements have fostered an experience

that is unprecedented for Chile, with small businesses in the territories participating in decisions to allocate public resources for projects that directly influence their opportunities for development, decentralising decision-making and allowing greater transparency in the use of resources. The basic aim is to establish a shared responsibility between public and private sector representatives over the appropriate use of resources, that is based on verifiable results.

The allocation of US\$ 63.9m (29,400,000,000 pesos) was decided during the Citizens' Seminars held to agree the 39 Territorial Plans for 2008. The micro and small enterprises contributed 36% of the total; municipalities and member public services contributed 40 % from their regional budgets - and Chile Emprende contributed 24%.

The pilot project: generation of decent work through territorial development

In the Citizens' Agreements for Plans to be implemented during 2008, ten of the 39 territories that work with the Programme specifically committed to employment targets through the generation of wealth by micro and small enterprises taking part in the Economic Development Plans.

These targets do not refer merely to a number of jobs but aim in a more fundamental way to generate quality employment, i.e. to improve the quality of existing jobs.

Chile Emprende established a working agreement with the ILO, Chile's social security administration institute (*Instituto de normalización Previsional, INP*) and the Employment Directorate to incorporate the concept of Decent Work in the job creation targets agreed for 2008.

As it performs its regulatory role of complying with the



Torres del Paine National Park, Chilean Patagonia

current employment law, the Employment Directorate will also guide enterprises to ensure they comply with this goal. Through its MIPYME Activa programme, the INP will troubleshoot enterprises and support them to ensure they gradually comply with occupational health and safety conditions, offering accreditation to those that complete the process.

The ILO will promote and raise awareness of the concept of decent work among enterprises and their workers and also among Public Private Councils, and will support the construction of indicators. This will ensure the process is applied systematically and can be replicated.

This new initiative will be supported by local enterprises with links to the Development Plans of territories that undertake to meet employment targets, whose Public Private Councils subscribe voluntarily to the initiative.

This first experience will culminate at the end of 2008, with the quality accreditation of the first group of jobs generated by territorial enterprises. The accreditation will be delivered by Chilean organisations and supported by the ILO.

For more information on Chile Emprende, visit <http://www.chilemprende.cl>. ■

Open section



Networks and Internet resources on LED:

- **South African LED Network**
- **UCLG**
- **LEDNA**
- **RED DETE-ALC**
- **LRED-GTZ**
- **REDEL al DIA**
- **AIPP**
- **Red Formadores Indígenas**

LED Inter-Agency Conference Agenda

ledknowledge.org - Delnet ITC/ILO

Networks and Internet resources on LED

The South African LED Network: From spectator to participant¹

Robert Yates, one of America's founding fathers is once reported to have remarked that "It is amazing what can be accomplished when nobody cares about who gets the credit." In many ways he could have been referring to the way in which a group of LED practitioners came together in 2004 to establish the South African LED Network. LED in South Africa was included in local government's mandate as part of the local government reform process that took place after the first democratic elections in 1994. While municipalities have the mandate for LED, this level of government lacks both the control and direct influence over many of the factors critical to the successful implementation of LED. Consequently the fulfilment of this mandate has required local government to engage with the private sector and civil society when facilitating LED processes.

One of the challenges facing local government in this respect has been to ensure that this interaction with the public sector is both productive and of high quality. Government and business have different priorities and serve different constituencies and stakeholders. Furthermore, they often speak a different "language" and in the South Africa case in particular often approach the same LED problem from ideologically opposed points of view.

The South African LED Network strives to bridge this divide by promoting discussion and exchange between the various kinds of LED practitioners to build a body of knowledge of what works when, which approaches can be used, and how to mobilise other local stakeholders to actively engage in LED processes. The South African LED Network also functions at a provincial level and arranges networking, exchange and training events in all the provinces. These events provide an opportunity



The Nahoon Point and Estuary Nature Reserve, East London

for LED practitioners to connect with one another and at the same time develop their technical skills.

In addition to organising networking events, the South African LED Network also hosts training courses at all levels from entry level courses covering basic LED concepts to advanced LED process facilitation courses for experienced practitioners. The high level of demand for LED related training in South Africa will ensure that the provision of training courses will continue to be an important component of the South African LED Network's future activities.

Other services that the LED Network provides to its members include a members database, which is used both by government officials looking for service providers, as well as private consultants looking for potential project partners. The website can also be used to access an extensive library of LED related documentation including journal articles, policy documents, and training manuals.

The South African LED Network website also provides a platform for the development of communities of practice (CoPs) around particular LED issues. CoPs provide an online forum where practitioners interested in

¹ Article by Tim Hadingham, Advisor on Local Economic Development (LED) in GTZ's Strengthening Local Governance Programme, South Africa.

similar issues can share information and experiences.

Currently the South African LED Network has a membership of more than 250 drawn from most of South Africa's nine provinces, as well as from other Southern African countries. Gauteng, KwaZulu-Natal and the Western Cape are the most progressive provinces in terms of LED implementation and the South African LED Network is strongly active in these provinces. One of the South African LED Network's future goals is to develop the provincial chapters in the other provinces.

The LED Network is a member organisation that was initially established with the support of the GTZ LED project and currently is partially self funding. Its biggest challenge in the short term is ensuring its long term financial sustainability.

However, the LED Network has come a long way since a group of passionate LED professionals volunteered their time and talents to set up a networking organising for mutual benefit. The Chinese have a proverb – “start as you mean to go on” – and if the progress that has been made in four short years is anything to go by then the future of the South African LED Network and indeed LED in South Africa looks rosy indeed.

For a more complete overview see: <http://www.led.co.za/>.

United Cities and Local Governments (UCLG)

<http://www.cities-localgovernments.org>

UCLG (already presented in previous issues of this publication²) has continued to grow steadily since its creation, not only in quantitative terms (through increasing membership numbers) but also in qualitative terms by deepening the ties between members enabling them to overcome cultural barriers and different national contexts. It has allowed members to work together on very concrete subjects in the UCLG Committees. For the period 2007-2011 its strategic priorities will be focusing on: urbanization and local finance, cli-

mate change, Millennium Development Goals (MDG) and promoting cultural diversity and intercultural dialogue through the adoption of the UCLG Global Policy Position in partnerships with the UN. This effort will aim at strengthening the relations between local and regional governments, promoting the work developed by cities, regional authorities and associations through its information channels.

Moreover, UCLG acts as a worldwide source of key information, learning, exchange and capacity-building on local self-government. It thus disseminates information through seminars, congresses and other events, publications and new information technologies. In 2006 it launched The Global Observatory on Local Democracy and Decentralization (GOLD) which provides information on the state of decentralization and its evolution, self-government and local governance across the world, and includes key indicators on local governance. Today, over 1,500 websites with relevant information on local governments can be accessed and GOLD allows for your website to be included in the portal:

<http://www.cities-localgovernments.org/gold/>

Local Economic Development Network of Africa (LEDNA)

The Local Economic Development Network of Africa (LEDNA) is a United Cities and Local Governments of Africa initiative. It is an LED knowledge hub and social network, targeted on Africa, but also relevant for practitioners working in local economic development outside the region. It was developed in collaboration with local partners in Africa, independent consultants, LED practitioners, donors, universities and research centers, and it is aimed at achieving stronger and more vibrant sub-national and national economies through broadening the knowledge and improving LED practice in Africa.

It engages partners and donors in:

- Undertaking a stocktaking of existing LED method-

¹ For more information, please visit the ITC/ILO Delnet website: <http://www.itcilo.org/delnet>.

ologies and experiences in Africa;

- Designing an appropriate process to launch a Pan-African network of competence centers on LED. The first phase is the launch of the internet platform http://delicious.com/LED_knowledge_hub, which will house LED tools, methods and cases, all downloadable for free.

Network of territorial economic and employment development in Latin America and the Caribbean (RED DETE-ALC)

<http://www.dete-alc.org>

Since its creation in 2004, this network of experts on local economic and employment development has come together in international seminars to promote LED by sharing knowledge and best practices in local economic development and employment creation across Latin America and the Caribbean. Each seminar focuses on new thematic areas that are of interest to Latin America and to the country hosting the seminar. In 2007 the annual seminar held in Chile was organised jointly with agencies such as ECLAC, OECD, UNIDO, ILO and SEBRAE which also took part in the development of a community of practice promoted by the IDB (FOMIN).

Local/Regional Economic Development Reference Guide (LRED- GTZ)

<http://www2.gtzt.de/wbf/lred/>

This LRED-Reference Guide is the result of a longer LRED-evolution process in the last ten years. The guide itself has its own history and many GTZ-practitioners and related consultants worldwide contributed with conceptual documents, tools, and case studies – their views and experiences. With its detailed introduction to GTZ' LRED-approach combined with a range of planning and implementation tools and an extensive LRED-Library this LRED-Reference Guide is designed for beginners as well as practitioners and researchers. This LRED-Reference Guide is a living document, subject to changes and supplements. Feedback, suggestions and materials to improve this website are always welcome!



A fisherman throwing the fishing net, Ogoni community

Employment Recovery through Local Economic Development (REDEL al DIA)

<http://www.redelaldia.org>

This portal points out to be a space of consultation and information of professionals working in individual, cooperative and self-help enterprises, public and private organizations, universities, training and research centres, involved in activities related to local development.

Asia Indigenous Peoples Pact Foundation (AIPP)

<http://www.aippfoundation.org>

The AIPP Foundation is a regional network with indigenous peoples' organizations in Asia as members. AIPP seeks to strengthen cooperation and solidarity among indigenous peoples of Asia and to promote and revitalize indigenous systems and institutions, including their control over ancestral territories and lands in processes of development. Membership is open to all indigenous organizations and movements who subscribe to its aims and objectives.

Latin American Indigenous Peoples Network of Trainers

<http://www.redformadoresindigenas.org>

This network has been conceived within the framework of the EUROsocial Regional Programme for social cohesion in Latin America. Its aim is to contribute to the development of an entrepreneurial culture among indigenous peoples in the Andean region as well as in other Latin American countries. ■

INTERNET RESOURCES FOR LOCAL ECONOMIC DEVELOPMENT

To know more about local economic development and what different institutions are doing to promote and support strategies aimed at developing local economies, the following (although non-exhaustive) list provides some useful links to the websites of international organizations, development agencies, networks, universities, NGOs and other institutions which are playing an active role in this field.

ILO Local Economic Development (ILO/LED)

<http://www.ilo.org/led>

International Training Centre of the ILO (ITC/ILO)

<http://www.itcilo.org>

LED Knowledge

<http://www.ledknowledge.org>

Local Economic and Employment Development Programme of the Organisation for Economic and Co-operation Development (OECD/LEED)

<http://www.oecd.org/cfe/leed>

United Nations Capital Development Fund (UNCDF)

<http://www.uncdf.org>

United Nations Human Settlement Programme (UN-HABITAT)

<http://www.unhabitat.org>

The Inter-American Development Bank (IADB)

<http://www.iadb.org>

The World Bank: Local Economic Development (LED)

<http://www.worldbank.org/urban/led>

Swiss Agency for Development and Cooperation (SDC)

<http://www.sdc.admin.ch>

Swiss Foundation for Technical Cooperation (Swisscontact)

<http://www.swisscontact.ch>

Cities Alliance

<http://www.citiesalliance.org>

GTZ

<http://www.gtz.de/en>

The Federation of Central American Municipalities (FEMICA)

<http://www.femica.org>

The South African Cities Network

<http://www.sacities.net>

London School of Economics and Political Science (LSE)

<http://www.lse.ac.uk>

Mesopartner

<http://www.mesopartner.com>

Institute of Social Studies, The Hague

<http://www.iss.nl>

European Network for Economic Self-Help and Local Development

<http://www.european-network.de>

Association of Regional Development Agencies

<http://www.eurada.org>

Economic Commission for Latin America and the Caribbean (ECLAC/CEPAL)

<http://www.eclac.org>

FUNDES – The Business Solutions Network

<http://www.fundes.org/Eng>

Institute for Local Development in Central America (IDELCA)

<http://idelca.net/>

Latin-American Centre of Human Economy (CLAEH)

<http://www.claeh.edu.uy>

Latin-American Faculty of Social Sciences (FLACSO)

<http://www.flacso.org/>

Latin-American Centre for Development Administration (CLAD)

<http://www.clad.org.ve/>

Inter-Agency Conference Local Economic Development (LED)

Knowledge sharing and partnership building
to boost local economies, create employment and reduce poverty
Turin, Italy, 22 - 24 October 2008



Pre-Registration and welcome cocktail: Tuesday 21 October, 18h00 – 20h30

Day 1 – Wednesday 22 October

8:00-10:30	Registration and kicking off the conference with café style session					
10:30-11:00	Coffee & Tea break					
11:00-12:30	<ul style="list-style-type: none">• Introduction and welcome by David Lamotte (ILO) and Sergio Arzeni (OECD/LEED)• Conference objectives and programme• ‘Making the case for Local Economic Development’ by Andrés Rodríguez-Pose (LSE)• ‘The practice of LED’: presentation of working group topics					
12.30-14:00	Lunch break					
14:00-16:00	THE PRACTICE OF LED					
	Working Group 1	Working Group 2	Working Group 3	Working Group 4	Working Group 5	Working Group 6
	Decentralization and the LED challenge for local governments (UNCDF/GTZ South Africa)	Value chain upgrading as part of an LED approach (GTZ Kenya/ILO)	Organizing and mobilizing for effective Public-Private Dialogue (GTZ/Institute of Local Government Studies, Ghana)	LED as a framework for Strategic Planning and Implementation (UN-HABITAT Egypt)	Improving competitiveness and living standards through integrated employment and skills strategies (OECD-LEED)	Indigenous peoples and LED (ILO/PACOS Trust/Bank of I.D.E.A.S)
16:00-16:30	Coffee & Tea break					
16:30-18:00	Sofa Session: the role of SLOW FOOD presidia in LED <i>With Piero Sardo, President of SLOW FOOD Foundation</i>					

Day 2 – Thursday 23 October	
9:00-10:30	Territorial competitiveness & Local Economic Development <i>The experience of the FOMIN(IADB), UNIDO and Chile Emprende - commented by RED DETE-ALC and ILO</i>
10:30-11:00	Coffee & Tea break
11:00 – 12:30	BUILD UP YOUR KNOWLEDGE <div> <div> Topic 1 Climate change, green jobs and local economic development (Coordinated by ILO) </div> <div> Topic 2 Information and Communication Technologies for effective LED strategies (Coordinated by Mesopartner) </div> </div>
12.30-14:00	Lunch break
14.00-16:00	LED RADIO: GLOBALISATION AND THE IMPORTANCE OF PLACE <i>All you wanted to know about LED and never got a chance to ask</i> <i>With Andrés Rodríguez-Pose (LSE), Peter Kenyon (Bank of I.D.E.A.S) and Esther Ofei-Aboagye (Institute of Local Government Studies, Ghana)</i>
16:00-16:30	Coffee & Tea break
16:30-19:00	Building the global LED Bazaar : Show and share your LED products and ideas <i>With drinks and snacks served</i>

Day 3 – Friday 24 October	
9:00-10:30	OPEN SPACE DAY: Experiences and different approaches to knowledge sharing & LED (OECD-LEED, GTZ, LEDNA, Red DETE-ALC, Mesopartner and others) <i>Building and Using Knowledge for LED practices: How can we cooperate? How to improve and move forward??</i> Opening the Open Space – Market Place of Topics
10:30-14:45	Working groups on selected topics <i>Open Space is a rapidly spreading high-performance way of discussing, sharing and collaborating, that leaves conventional ways of conferencing far behind. Participants have full control over the agenda and have the opportunity to raise real-time all issues that are relevant to address the question at stake. Relying on self-organisation and emergence, OpenSpace ensures maximal efficiency & interaction, 0% boredom and pretty close to 100% fun! Join the most exciting experience of meeting, sharing and exploring!</i>
	Coffee & Tea break
	Lunch break
14.45-15:30	CLOSING OF CONFERENCE: final comments by panel of key stakeholders (Government, International Organisations, Academic Institutions, Service Providers, LED Network, Indigenous Peoples)
15:30-16:30	LOOKING AHEAD: SPIRALS OF LED LEARNING <i>... and moving to 'Terra Madre' and 'Salone del Gusto'</i>
18:00	SLOW FOOD tasting at the 'Terra Madre' and 'Salone del Gusto' in the Lingotto centre

www.ledknowledge.org The Global Resource Site for Local Economic Development

The ILO Local Economic Development Programme (LED) and the ITC-Turin, through their Enterprise Department and DELTA programme, have jointly launched the www.ledknowledge.org portal, a global resource site for local economic development. The purpose of this resource site is to give LED practitioners and experts easy access to each other and to resources, training materials and relevant links for LED, improving knowledge sharing and stimulating the exchange of experiences, lessons learned and good practices.

The resources on ledknowledge.org enable ILO constituents, national and local governments, NGO's, international development agencies, research centres and academia to learn about LED initiatives around the world, including case studies, training tools, training events, workshops and conferences, and useful links of agencies that support LED processes around the world. The blog section provides a space for exchanging views and opinions on specific subjects.

The resources are accessible by filling a simple registration form. Users are invited to upload and share experiences. No fees are charged and all resources can be freely downloaded.

With this new portal, we hope to facilitate exchanges between practitioners and individuals interested in local development, challenging geographical boundaries and broadening current networks.

Register now!

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The Delnet Programme of the International Training Centre of the ILO

DELNET, an acronym for Local Development Network, was set up in 1998 as a local development support initiative of the International Training Centre of the International Labour Organization, a specialized United Nations agency. In its ten years of activity it has created a network of over 2,500 institutions in 75 countries throughout the world.

As a result of decentralization processes, local levels worldwide are increasingly assuming greater responsibility in developing the territory and improving the quality of life of its inhabitants. Carrying this out, however, requires both human and institutional capacities for effective management. Delnet's core objective is to facilitate access to global and local knowledge to help local actors offer more effective solutions for the ordinary problems that people have to face.

Its services are aimed at a broad range of technical staff, managers and leaders of public and private institutions involved in local development, such as municipalities, provincial and regional governments, business organizations, NGOs, research centres, universities, etc. Enrollment in Delnet's courses give access to: training, up-to-date virtual library, specialized publications, technical consultancy, direct lines of information and networking tools.

Promoting the use of ICTs, Delnet works in favour of digital inclusion and the overcoming of inequalities in access to their use and enjoyment. This has rightly been one of Delnet's strong points since its foundation as well as the spirit of this journal: the creation of networks of exchanges that make it possible to break the geographic isolation of various dispersed local communities. In this way participants simultaneously become receivers and providers of knowledge and useful experiences by pooling good practices and continuously exchanging ideas with development actors in other parts of the world.

Training areas of expertise: management of the local development process, sustainable tourism and local development, gender approach to local development, and disaster risk reduction within the framework of sustainable local development.

Contact and information: <http://www.itcilo.org/delnet>

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For more information: <http://www.eco-label.com>

The PEFC Council (Programme for the Endorsement of Forest Certification schemes) is the world's largest forest certification organization and promotes sustainable forest management - environmentally, socially beneficial and economically viable management of forests for present and future generations - through independent third party forest certification.

For more information: <http://www.pefc.org>

FSC is an independent, non-governmental, not for profit organization established to promote the responsible management of the world's forests. Products carrying the FSC label are independently certified to assure consumers that they come from forests that are managed to meet the social, economic and ecological needs of present and future generations.

For more information: <http://www.fsc.org>

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