Local Economic Development as an alternative approach to economic development in Sub-Saharan Africa*

(A report for the World Bank)

by

Andrés Rodríguez-Pose

and

Sylvia Tijmstra

Correspondence address:
Andrés Rodríguez-Pose
Department of Geography and Environment
London School of Economics
Houghton St
London WC2A 2AE, UK
Tel: +44-(0)20-7955 7971
Fax: +44-(0)20-7955 7412

* The authors are grateful to Christine Kessides, Robyn Renneberg, Gwen Swinburn, and the ALGAF organisers for comments to earlier versions of the paper. The usual disclaimer applies.

Contents

Executive Summary ........................................................................................................... 5

Introduction ..................................................................................................................... 8

1 New development challenges; Is Sub-Saharan Africa really different? ................. 12

  1.1 Globalization ............................................................................................................ 13
  1.1.1 Trade and foreign direct investment ................................................................. 14
  1.2 Localization ............................................................................................................ 18
  1.2.1 Economic agglomeration and urbanization .................................................... 18
  1.2.2 The changing role of the nation-state .............................................................. 27
  1.3 The impact of globalization and localization on economic growth .................... 29
  1.4. The emergence of a new territorial structure ..................................................... 33

2 Implications for Development Strategies: LED as an alternative in Sub-Saharan
Africa? ........................................................................................................................... 35

  2.1 The territorial dimension ....................................................................................... 43
  2.2 The governance dimension ................................................................................... 46
  2.3 The integrated dimension ..................................................................................... 54
  2.4 The sustainability dimension ............................................................................... 61
  2.5 The importance of an enabling environment ....................................................... 64

Conclusion: LED as an alternative .............................................................................. 71

References ..................................................................................................................... 75
List of figures

Figure 1.1 Export of goods and services (as a percentage of world export) in low- and middle-income countries .................................................................153
Figure 1.2 Exports of goods and services (percentage of GDP) in low- and middle-income countries 1970-2002 .................................................................163
Figure 1.3 Increase in urban population as a percentage of total population 1960-2003.207
Figure 1.4 Percentage of total population living in largest city ............................................. 19
Figure 1.5 Decentralization in Sub-Saharan Africa .................................................................294
Figure 1.6 GDP per capita as a percentage of 1960 GDP per capita .................................305
Figure 1.7 Government effectiveness in the 20 largest Sub-Saharan African countries (in world percentile rank).................................................................48

List of tables

Table 1.1 Exports and imports of goods and services as a percentage of GDP in selected Sub-Saharan African countries (2003) .........................................................17
Table 1.2 Urban Population as a percentage of total population in selected Sub-Saharan African countries (1960-2000) .................................................................22
Table 1.3 Percentage of population living in the three largest cities (selected SSA countries) ........................................................................................................23
Table 1.4 Variance of the Log of regional GDP per capita in selected countries ..........26
Table 1.5 The size of the informal sector in the developing world ........................................32
List of boxes

Box 1.1 Are World Cities emerging in Sub-Saharan Africa? .............................................. 24
Box 2.1 Local Economic Development – Some definitions .................................................. 36
Box 2.2 LED in Sub-Saharan Africa? Evidence from a ‘front runner’ (South Africa) .......... 42
Box 2.3 Local governance and participation: the case of Kerala and Tamil Nadu (India) .. 48
Box 2.4 LED as a strategy for the informal economy? The case of Durban (South Africa) 51
Box 2.5 Local SWOT analysis in the Sub-Saharan African context ........................................ 55
Box 2.6 Managing local capacity problems? The Zambia Social Investment Fund .......... 59
Box 2.7 Combining environmental goals with the reduction of unemployment and poverty:
  The case of the city of Mutare (Zimbabwe) ................................................................. 63
Box 2.8 Local, regional, national and international actors in LED: the Case of the Manica
  Province (Mozambique) .............................................................................................. 67
Executive Summary

It has often been argued that Africa, in general, and Sub-Saharan Africa (SSA), in particular, is ‘different’ and that it therefore requires ‘exceptional’ solutions to its development problems. This report set out to prove whether this claim is true and – in view of the outcome – whether a standard development tool increasingly applied throughout the developed and developing world, such as Local Economic Development (LED), could serve as a complement or as an alternative to economic development in SSA.

The analysis of some of the main economic and socio-political challenges and trends affecting low- and middle-income countries shows that the evolution of trade, urbanization, territorial inequalities, and decentralization in SSA is broadly in line with that of other parts of the world, and especially with that of other low- and middle-income countries, making the Continent less exceptional for development purposes than what has generally been claimed in the past. The only area where SSA seems to be clearly out of step with other countries with similar starting conditions is in economic performance. Whereas in the rest of the world rapid urbanization and – perhaps more controversially – openness to trade seems to be associated with high economic growth, in SSA GDP per capita has stagnated and, in some cases, fallen since the mid-1970s. The report focuses as well on the extraordinary variations in trade, urbanization, investment, and decentralization patterns both across and – whenever possible – within Sub-Saharan African countries. These huge variations are generating a very heterogeneous territorial organization, a factor which is likely to jeopardize the returns of blanket or general development policies for large parts of the Continent.
The combination of strong internal heterogeneity with general trends similar to those experienced elsewhere in the world make LED strategies as likely to succeed in SSA as in most other low- and middle-income countries. LED can thus be considered as a complement or an alternative, to existing development strategies in the Continent.

The report indicates that many of the characteristics of LED strategies, such as its territorial dimension, a stronger participation of local residents and stakeholders, the formulation of more balanced development strategies, a greater emphasis on the sustainability of development, and, above all, the combination of economic with social goals, show a significant potential for tackling some of the main problems faced by SSA’s urban centres and city-regions. However, some of the specificities of SSA, such as low population density and lack of spatial connectivity, weak integration across the primary-secondary-tertiary sectors, reliance of both rural and urban households, and especially public sector workers, on multiple sources of livelihood to survive, the predominance of the informal economy, and weak governance and government capacities, may put a spanner in the works, limiting the ability of sub-national institutions to develop and implement successful strategies, especially in those areas where capacity constraints are greatest.

The report concludes that, although LED could represent a viable and welcome strategy for the development of many parts of SSA, the likelihood of success would very much depend on place-specific conditions. Whereas in many of the most prosperous parts of the Continent the basic enabling conditions for the design and implementation of LED strategies are in place, poor resource endowments, poor accessibility, and relatively weak civil societies are likely to determine the viability of LED outside the wealthier and most prosperous areas of SSA. Many smaller urban areas and intermediate regions and city-regions in the Continent have some – but not all – of the basic preconditions for LED, but further capacity building is
needed in order to guarantee success. Some external top-down support – an area in which International Organisations can play a crucial role – could help overcome these initial problems and initiate the whole process. Finally, the approach may not be relevant for the poorest and most remote parts of SSA, where the weakness of existing conditions does not provide the bases on which to build such development strategies.

Great care should therefore be placed on the evaluation of the local potential before embarking on LED strategies.
Introduction

Africa – and especially Sub-Saharan Africa (SSA) – is ‘different’, or so goes the argument (Asiedu, 2002; Robinson, 2002; The Commission for Africa, 2005; The UN Millenium Project, 2005). Not only has Africa experienced lower economic dynamism than other continents over the last decades, but African countries also suffer from a series of ills, such as widespread poverty and illness, which tend to be more acute than elsewhere, and the consequence of numerous structural challenges. These structural challenges include low population density (Bloom and Sachs, 1998); lack of spatial connectivity; extremely inadequate infrastructure provision (Bloom and Sachs, 1998); weak integration across economic sectors (Sachs, McArthur et al. 2004); high and resilient fertility rates (Caldwell and Caldwell, 1990); pervasive illness (Naudé, 2004); a tendency by households to rely on multiple sources of livelihood to survive; a predominance of the informal economy; a low integration into external markets and limited domestic markets; inadequate protection of property rights (Lindner and Strulik, 2004); and weak governance (Erdman, 2004) and vulnerable government administrative and fiscal capacity (Freeman and Lindauer, 1999). In addition, African governments and societies are often prone to clientelism, patronage, and corruption (Widner, 1997).

This emphasis on the fact that ‘Africa is different’ has two important consequences on the collective imaginary. First, it somewhat undermines the perception of the widespread diversity both across and within countries in SSA. Sub-Saharan African countries, regions, and cities are frequently bundled together in a common package, despite their different starting points, structural conditions, and socio-economic potential. The second consequence is that, if Africa is different, policies successfully implemented in other parts
of the world, may not be equally successful in Africa, as a whole, and in SSA, in particular (Asiedu, 2002: 107). Hence, from this perspective, SSA requires novel and exceptional ways of addressing development problems (Matthews, 2004).

The reasoning that ‘Africa is different’ has contributed to the development of numerous policies exclusively designed for Africa, but that do not really cater for the internal diversity within the Continent.

In this report, we however argue that SSA is not that different. Many of the processes of increase in trade and foreign direct investment (FDI), economic agglomeration, urbanization, decentralization, and increasing inequality are as prevalent – if not more prevalent – in SSA as in the rest of the world and internal differences in the impact of these processes are important. If this is the case, development policies for SSA may need to focus less on the ‘exceptionality’ of the Continent and to examine and extract lessons from development experiences elsewhere, while, at the same time, allowing the necessary flexibility to adapt any proposed policy to the vast internal diversity of the Continent. We argue that such a mix can be delivered in SSA by the use of strategically planned local economic development (LED) approaches as a means to simultaneously enhance economic growth and reduce poverty.

The report commences by examining how recent economic and socio-political changes in low- and middle-income countries are altering the environment within which development problems need to be tackled. The first part compares the experiences of countries in SSA with other low- and middle-income countries. It is argued that SSA, while displaying many regional specificities, mirrors many of the economic and socio-political changes found in other areas of the world. Recent trends towards the agglomeration of economic activities, the rise of primate cities, and increasing territorial disparities, together
with the emergence and greater visibility of sub-national tiers of government and the changing role of the nation-state are resulting in a much more complex and heterogeneous territorial structure than hitherto. The marked difference between the Sub-Saharan African region and other developing countries, however, is that in this region these trends have been accompanied by relatively slow economic growth and poverty reduction.

The second part of the report explores how strategically planned local economic development (LED) strategies can provide a viable alternative to traditional development strategies in tackling the issues of lagging economic growth and widespread poverty. It will be argued that the traditional top-down, supply-side development policies, often based on the promotion of industrial sectors or on improving accessibility to influence the location of investments by firms, are struggling to cope with the new, more heterogeneous economic reality described in the first part of the paper.

In some cases, they may even be contributing to enhance economic agglomeration and regional inequalities. Both in the developed and the developing world, LED strategies have been widely employed as an alternative to such more traditional supply-side sectoral strategies. Yet, in the case of SSA LED approaches have so far been few and far between and often limited to ‘project-led’ very small-scale intervention aimed at poverty reduction, while forgetting the economic competitiveness and dynamism dimension of LED strategies.

The validity of four basic characteristics of successful LED strategies – the territorial dimension, the emphasis on good governance and participation, the integrated approach to development, and the sustainability dimension – is studied for SSA. The report draws on selected case studies to illustrate the possible benefits and drawbacks of the LED approach and concludes with a discussion of the importance of having an enabling
environment in order to guarantee the suitability of LED strategies as an alternative or a complement to traditional development strategies in different areas of SSA.
1 New development challenges; Is Sub-Saharan Africa really different?

In recent decades, the social, political, and economic landscape faced by national governments has undergone a radical transformation. Advancements in communication and transportation and increasing flows of international trade and investment have created opportunities for development, but have also challenged the ability of the state to manage the economy (Storper 1997; Keating, Loughlin et al. 2003; Rodríguez-Pose and Gill 2003). This increasing interconnectedness has been accompanied by trends towards urbanization, regional agglomeration, and greater sub-national autonomy (Markusen 1996; Storper 1997; Rodríguez-Pose and Gill 2003). Together, these processes of globalization and localization pose new challenges to developing and developed countries alike. It has been argued, however, that the development challenges faced by countries in SSA are unique and fundamentally different from those of other low- and middle-income countries (Sachs, McArthur et al. 2004; The Commission for Africa 2005: 25-27; The UN Millennium Project 2005: Chapter 10). Very high transport costs, the small internal markets, a heavy reliance on low-productivity agriculture, disease, adverse geopolitics, and the slow diffusion of foreign technology are considered to be putting an unusual strain on the development prospects of the Continent.

Although there is something to be said for the idea that Sub-Saharan African development has indeed proven to be a more complex problem than is the case in many low- and middle income countries in other regions, this report argues that the dual processes of globalization and localization create many of the same opportunities and
threats that are found elsewhere in the world. Strategies used in other countries, like, for instance, LED strategies, may therefore also provide a viable option in the Sub-Saharan African context.

Yet, the pervasive idea that development problems are different and structural conditions more extreme than in other low- and middle-income countries may have prevented actors interested in Sub-Saharan African countries from diagnosing development problems in the same way they do in other parts of the world and led to the adoption of more traditional, top-down policies. In order to state this argument, this part of the report gives an overview of the main socio-economic trends of the recent decades and examines the extent to which developments in the SSA region mirror trends found in other low- and middle-income countries. It looks first at the effects of globalization, before turning to localization trends.

1.1 Globalization

Economic globalization – understood as the increased worldwide mobility of capital, goods, labour, and, to a lesser extent, services – has drastically changed the rules which govern the economy. This process of structural change or socio-economic restructuring was triggered by the space-shrinking effects of new transport and communication technologies (Dicken 2003: 89). This time and space convergence has however been a highly uneven process; while the leading national economies and world cities are becoming more and more connected, low- and middle-income countries and rural areas are often found to be lagging behind. The level of interconnectedness also differs greatly within the low and middle-income countries group. If the number of telephones and internet hosts are used as measures, SSA performs well above the average of low-income
countries in terms of internet hosts per 10,000 people (2.39 hosts in SSA per 10,000 people vs. 0.17 as low-income country average in the region), but below average in terms of telephone access (20 land-lines or mobile phones per 1000 people vs. 37 on average) (World Bank 2000: 267). With regards to transport costs, the region suffers from the consequences of its generally poor infrastructure, with the cost per kilometre found to be up to five times higher than in many Asian countries (Starkey, Ellis et al. 2002).

1.1.1 Trade and foreign direct investment

Even where the space-shrinking effects of technological advances have been relatively low, geographical distance and isolation now offers national firms less protection from competition than in the past. This is not only caused by the introduction of faster and cheaper ways to move products and inputs over large distances, but also due to a general shift towards more neo-liberal styles of government since the 1980s. The move away from protectionism and towards greater economic liberalization, implemented in the North in the late 1970s and beginning of the 1980s, was replicated in many countries of the South, often as an element of imposed structural adjustments (Nel 2001). The space-shrinking effects of new technologies together with these political developments have increased the level of interaction among national economies, both in terms of foreign direct investment (FDI) and international trade.

Despite the fact that the majority of this international trade and investment still takes place between developed countries, low- and middle-income countries are increasingly emerging in the global marketplace too. The developing world’s share of trade in goods and services had already risen to nearly 30% by the year 2000. The export of commercial services has also been growing on every continent (World Bank 2000: 33). Some however
contend that SSA has been largely excluded from this trend, as its share of world trade and investment is very low (Asiedu, 2002; Onyeiwu and Shrestha, 2004). Figure 1.1 shows that the Sub-Saharan African share of exports in goods and services is indeed fairly low compared to low- and middle-income countries in other regions. This share has also remained relatively stable, while the share of countries with similar starting points, especially in East Asia and the Pacific, has been steadily increasing over the last decades.

Figure 1.1 Export of goods and services (as a percentage of world export) in low- and middle-income countries
However, if exports are measured as a percentage of Gross Domestic Product, the picture changes; in SSA as a whole, the share of exports as a percentage of GDP is well above the world average and higher than in the low and middle-income countries of South Asia and Latin America and the Caribbean (Figure 1.2).

**Figure 1.2 Exports of goods and services (percentage of GDP) in low- and middle-income countries 1970-2002**
A similar picture emerges when foreign direct investment is considered, indicating that, in terms of trade and FDI as a percentage of GDP, SSA is, on average, equally likely to be affected by global change as other low- and middle-income countries. However, these effects are not evenly spread across the Continent. Important national differences in trade within SSA are evident. While for the whole of the region exports and imports were almost in balance in 2003 at levels of around 32% of GDP (Table 1.1), there were massive internal differences. Table 1.1 depicts the countries in SSA with the highest ratio of exports and imports in 2003. Not only the amount, but also the type of international trade and investment determines the effect of globalization on national economies. Where exports mainly consist of traditional agricultural crops such as coffee, cotton, sugar, for instance, globalization, through adverse market conditions and declining export prices, has had a more destabilizing effect than is the case in countries with a more diversified export market (The Commission for Africa 2005).

**Table 1.1 Exports and imports of goods and services as a percentage of GDP in selected Sub-Saharan African countries (2003)**

<table>
<thead>
<tr>
<th>Exports</th>
<th>% of GDP</th>
<th>Imports</th>
<th>% of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swaziland</td>
<td>83.54</td>
<td>Eritrea</td>
<td>99.08</td>
</tr>
<tr>
<td>Congo, Rep.</td>
<td>77.60</td>
<td>Lesotho</td>
<td>95.20</td>
</tr>
<tr>
<td>Seychelles</td>
<td>77.39</td>
<td>Swaziland</td>
<td>93.70</td>
</tr>
<tr>
<td>Angola</td>
<td>71.32</td>
<td>Sao Tome &amp; P.</td>
<td>82.70</td>
</tr>
<tr>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>SS Africa</td>
<td>31.97</td>
<td>SS Africa</td>
<td>32.56</td>
</tr>
<tr>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Uganda</td>
<td>12.35</td>
<td>Guinea</td>
<td>24.56</td>
</tr>
<tr>
<td>Rwanda</td>
<td>8.57</td>
<td>Burkina Faso</td>
<td>23.35</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>8.53</td>
<td>Burundi</td>
<td>17.87</td>
</tr>
<tr>
<td>Burundi</td>
<td>6.83</td>
<td>Sudan</td>
<td>12.10</td>
</tr>
</tbody>
</table>

Source: World Development Indicators (World Bank 2005)

Contrasts in the attraction of FDI are even greater than those observed for trade.
Whereas in 2003 FDI represented 49% of GDP in Equatorial Guinea and 32% in Chad, it was less than 1% in Burkina Faso, Burundi, Central African Republic, Ethiopia, Gabon, Guinea-Bissau, Kenya, Madagascar, Rwanda, and Sierra Leone (World Bank 2005). Not only commodities, but raw materials and trade in oil, in particular, are behind these differences in trade and FDI. FDI, for instance, has tended to be generally concentrated in high value, resource-based industries, such as oil and diamonds.

1.2 Localization

In recent decades, the process of globalization has been accompanied by a simultaneous trend towards a greater localization of economic activity and the structures of governance. Paradoxically, many of the same technological advances that created an opportunity for greater international connectedness have also enabled and stimulated the agglomeration of production, further urbanization, and the decentralization of governance. This section will examine whether countries in SSA are experiencing similar tendencies towards economic agglomeration, urbanization, and decentralization of government as other developing countries.

1.2.1 Economic agglomeration and urbanization

During recent decades, globalization has been accompanied by an increase in economic agglomeration and urbanization, both in developed and developing countries (Scott 1998; Puga and Venables 1999). This enhanced concentration of economic activity is thought to have two main origins.

First of all, as transport costs and barriers to trade decrease, firms are able to serve larger markets from one location (Paluzie 2001). This creates an incentive for firms to
locate in central city-regions and service peripheral areas from there (Krugman 1997; Scott and Storper 2003). Urbanization economies exist, not only because cities provide large local markets, but also because the agglomeration of firms and people provide dense labour markets and offer an opportunity to economize on capital-intensive infrastructure and health and educational provisions (Scott and Storper 2003: 582).

The effect of urbanization economies is likely to be particularly large in much of the SSA region, as infrastructure and social provisions are in shorter supply and relative less evenly spread than is the case in middle and high income countries. The agglomeration of firms and therefore employment opportunities, in turn, encourage migration from rural areas or smaller cities to larger urban centres, leading to increased urbanization (Lucas 1998; 2004).

Apart from urbanization economies, the agglomeration of economic activity is further stimulated by external economies of localization, i.e. the benefits that accrue from firms locating near other firms with similar or affiliated activities. Technological and managerial advances have allowed large, vertical firms to transform themselves into much more flexible production networks with layers of subcontractors, each responsible for a specialized part of the production process (Dicken 2003: 107-110). Due to the advancements in transportation and communication technologies, diverse tasks of the production process could now be completed in different locations, maximizing the locational advantages. Although traditional location advantages, such as lower labour costs or the local availability of raw materials, still play a role, the benefits that can be derived from being within close geographical proximity of suppliers or other firms producing similar products may outweigh these other spatial factors, especially in the case of highly specialized and complex tasks or just-in-time production systems (Feser and
Urbanization and clustering may provide prospects for increasing competitiveness and economic growth, but they have disadvantages too. The concentration of firms and people increases wages and land rent and can produce diseconomies of scale, such as congestion, pollution, and crime. Centrifugal forces are, however, not managing to offset the centripetal forces linked to the increasing agglomeration of economic activity. The process of urbanization is, as a result, progressing rapidly in many parts of the world and especially across low- and middle-income countries. In SSA, the degree of urbanization is presently below the world average but higher that the average for low-income countries in other regions. What is more, the pace of growth of the urban population in SSA is amongst the highest in the world, matching the rapid urban growth of middle income countries and clearly above that of other lower income countries outside SSA (Figure 1.3).

Figure 1.3 Increase in urban population as a percentage of total population 1960-2003
This rapid urbanization throughout the Continent hides important differences within SSA. Whereas countries such as Rwanda, with an urban share of 6% of the total population, are still barely urbanized, in other African countries, such as Gabon, the proportion of the population living in cities exceeds 80% (Table 1.2). Variations in the speed of urbanization are also conspicuous; while the urban population of Gabon has increased by 64 points since 1960, the urban share of Rwanda or Ethiopia has only increased by 4 and 9 points respectively (Table 1.2). In South Africa, the only truly urbanized country in the Continent by 1960, the urbanization rate has also been moderate by Africa’s standards (Table 1.2). This reflects the country’s general status as an outlier in the region.
Urbanization trends in SSA have been also characterized by an increasing concentration of population in the largest cities within each country and by the emergence of some large megalopolis, which, in the cases of Abidjan, Kano, Cape Town, the Witwatersrand, Kinshasa, and, above all, Lagos, exceed the 3 million people mark. The emergence of primate cities in SSA is more prevalent than in other low- and lower-middle income countries from outside the region, and only surpassed by the percentage of population living in the largest city in high- and upper-middle-income countries (Figure 1.4).

Table 1.2 Urban Population as a percentage of total population in selected Sub-Saharan African countries (1960-2000)


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rwanda</td>
<td>2.40%</td>
<td>3.19%</td>
<td>4.71%</td>
<td>5.33%</td>
<td>6.15%</td>
<td>4 points</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>6.43%</td>
<td>8.60%</td>
<td>10.48%</td>
<td>12.72%</td>
<td>15.52%</td>
<td>9 points</td>
</tr>
<tr>
<td>South Africa</td>
<td>46.64%</td>
<td>47.81%</td>
<td>48.14%</td>
<td>48.83%</td>
<td>56.87%</td>
<td>10 points</td>
</tr>
<tr>
<td>Mali</td>
<td>11.07%</td>
<td>14.31%</td>
<td>18.46%</td>
<td>23.82%</td>
<td>30.19%</td>
<td>20 points</td>
</tr>
<tr>
<td>Angola</td>
<td>10.44%</td>
<td>14.96%</td>
<td>20.89%</td>
<td>27.58%</td>
<td>34.20%</td>
<td>24 points</td>
</tr>
<tr>
<td>Nigeria</td>
<td>14.38%</td>
<td>19.96%</td>
<td>26.87%</td>
<td>35.04%</td>
<td>44.07%</td>
<td>30 points</td>
</tr>
<tr>
<td>Gabon</td>
<td>17.40%</td>
<td>31.09%</td>
<td>49.55%</td>
<td>68.14%</td>
<td>81.43%</td>
<td>64 points</td>
</tr>
</tbody>
</table>
The lure of the big city is, however, not homogenous across the Continent. Table 1.3 reports the percentage of population living in the three largest cities in selected African countries. Strong contrasts across countries are noticeable. Zambia, Senegal, and the Ivory Coast have more than one quarter of their total population concentrated in the largest cities. In Madagascar or Kenya, in contrast, the ratio barely exceeds 10%, while in Ethiopia it is below 5% (Table 1.3).

Table 1.3 Percentage of population living in the three largest cities (selected SSA countries)
The only urbanization indicator where SSA is lagging behind the rest of the world is in the share of Africans that live in big cities. Only two cities, Lagos and Kinshasa, surpass the five million mark and there is relatively little sign of the emergence of World Cities in the Continent (Taylor et al. 2002) (Box 1.1). In addition, only 12% of urban Sub-Saharan Africans reside in cities of one to five million inhabitants, which is just below the average for other developing countries. 52% of urban Africans live in relatively small cities (less than 200,000 inhabitants). In other developing countries this percentage is on average slightly lower at 42% of the urban population (Kessides 2005: 7-8).

Box 1.1 Are World Cities emerging in Sub-Saharan Africa?

The city-region concept is sometimes intermingled with other city concepts with a clear scalar focus, such as world cities or global cities (Sassen 2001; Scott 2001). A reasonable degree of controversy exists over which cities should be included in the category of world or global cities (Friedmann 1986; Budd 1995; Sassen 2001). One of the

<table>
<thead>
<tr>
<th>Country</th>
<th>% of population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zambia</td>
<td>30.1%</td>
</tr>
<tr>
<td>Senegal</td>
<td>26.8%</td>
</tr>
<tr>
<td>Ivory Coast</td>
<td>25.7%</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>24.3%</td>
</tr>
<tr>
<td>Madagascar</td>
<td>11.8%</td>
</tr>
<tr>
<td>Kenya</td>
<td>11.0%</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>4.9%</td>
</tr>
</tbody>
</table>

(Source: own elaboration using Henderson, 2002 and World Bank data)
few attempts to categorize cities around the world in terms of systematic criteria is the classification by Taylor et al (2002). They distinguish between alpha, beta, and gamma world cities, where alpha world cities are considered to be global centres in four key service subsectors: accounting, advertising, banking, and law. Beta and gamma world cities are global centres in three or two of these subsectors, respectively. In their ranking of world cities, only one Sub-Saharan African city, Johannesburg, qualifies as a potential world city, and only in the gamma category.

However, this bias towards linkages of certain urban functions of this classification does not do justice to the growing number of Sub-Saharan African cities increasingly articulating large swathes of territory. Many Sub-Saharan African cities may not be as internationally-connected as cities in other areas of the world, but they increasingly function as city-regions, influencing large territories, generally below the nation-state but above the local scale, raising important issues for economic growth and governance.

**Regional Polarization**

The self-reinforcing qualities of agglomeration economies mean that increases in the agglomeration of economic activities are often accompanied by a rise in regional inequalities (Venables 2005: 4). In developing and developed countries alike, this pattern is widely found.

Table 1.4 shows the evolution of the variance in the Log of regional GDP per capita in a selection of developed and developing countries. In all countries in the sample – with the exception of Brazil – regional imbalances have grown since the 1980s. It is noticeable that, whereas Germany, France, the US, and Greece mostly experienced an increase in regional disparities between 1980 and 1990, in less developed countries, such as China,
India, Mexico, or, to a lesser extent, Brazil, the growth of disparities mainly took place in the 1990s. This pattern roughly follows the opening to trade in these countries, suggesting that these developments may indeed be linked to economic globalization.

Table 1.4 Variance of the Log of regional GDP per capita in selected countries

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing Countries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>0.578</td>
<td>0.483</td>
<td>0.581</td>
<td>-16.31</td>
<td>20.20</td>
<td>0.60</td>
</tr>
<tr>
<td>India</td>
<td>0.352</td>
<td>0.377</td>
<td>0.441</td>
<td>7.10</td>
<td>16.98</td>
<td>25.28</td>
</tr>
<tr>
<td>Mexico</td>
<td>0.388</td>
<td>0.383</td>
<td>0.435</td>
<td>-1.29</td>
<td>13.58</td>
<td>12.11</td>
</tr>
<tr>
<td>Brazil</td>
<td>0.588</td>
<td>0.488</td>
<td>0.494</td>
<td>-17.01</td>
<td>1.23</td>
<td>-15.99</td>
</tr>
</tbody>
</table>

| Developed Countries |      |      |      |         |         |         |
| US          | 0.136| 0.152| 0.148| 11.76   | -2.63  |  8.82   |
| Germany     | 0.184| 0.188| 0.186|  2.17   | -1.06  |  1.09   |
| Italy       | 0.265| 0.269| 0.277|  1.51   |  2.97  |  4.53   |
| Spain       | 0.207| 0.199| 0.222| -3.86   | 11.56  |  7.25   |
| France      | 0.151| 0.164| 0.163|  8.67   | -0.29  |  8.36   |
| Greece      | 0.156| 0.158| 0.158|  1.21   |  0.16  |  1.37   |

*Data for Greece 1981 – 1999; France 1982 – 1999. All others as shown. Regional data from EUROSTAT and national statistical offices. (Source: Updated from Rodríguez-Pose and Gill, 2004).

Unfortunately a similar exercise cannot be conducted for Sub-Saharan African countries, due to a lack of sufficient data at the regional level\(^1\). The scarce reliable data available at subnational level generally concern South Africa. These data provide support for the idea that regional GDP per capita in large city-regions and in urban areas as a whole has been increasing faster that in the rest of the country (Naudé and Krugell, 2003). In the case of Johannesburg and its hinterland of East Rand, for instance, the city-region’s share of total GDP has remained relatively stable at 23%, while the population in the city-region has grown at a rate below the national average (24% as opposed to 31% between 1990 and 2000) (PIMSS 2001; Henderson 2002). As is the case of other parts of the world, accessibility to markets, proximity to ports, and the stock of human capital seem to be the

\(^1\) Given the dearth of subnational data for SSA, Moradi and Baten (2005) have to resort to measures of human height across Africa as a proxy for the existence of subnational economic inequalities.
key factors behind this inequality (Naudé and Krugell, 2003).

In some countries of the Continent, however, the contrasting evolution of rural versus urban poverty rates seems to suggest that a trend towards greater equalization of incomes may also be occurring. In recent decades the gap between poverty rates in rural and urban areas has been shrinking in many Sub-Saharan African countries. Evidence from Nigeria, Zambia, Ghana, Kenya, the Ivory Coast, and South Africa all suggests that rural-urban poverty gaps have been falling during the 1990s, although the trend was stronger in some countries than in others (Kakwani 1993a; Grootaert, Demery et al. 1996; Canagarajah and Mazumdar 1997; de Haan, Lipton et al. 1997; May 2000, chapter 2; McCulloch, Baulch et al. 2000). One explanation for this trend is that rapid urbanization has been accompanied by greater inequality within urban settlements. In part the reduction of the gap between urban and rural poverty rates can also be attributed to structural adjustments, which forced governments to modify the structures of outlays, prices, and institutions associated with the so-called urban bias.

The simultaneous occurrence of these adjustments and the localization forces described above, together with the lack of good quality and comparable regional level data over the period from the 1980s to 2000, make it difficult to assess if urbanization and agglomeration are creating a similar pressure towards regional inequalities in SSA, as in other developing countries. Recently, the quality of national and regional data-collection has been improving across the region, but it will be some years yet before these efforts can be used to distinguish trends in regional inequality.

1.2.2 The changing role of the nation-state

The joint forces of globalization and localization are generally seen to undermine
the ability of the nation-state to manage the national economy. On the one hand, the vacuum of power this creates is filled by international organizations, such as the United Nations, the World Trade Organization, and the World Bank. On the other hand, local and regional governments are becoming increasingly important actors in the management of the economy. As a consequence of the greater agglomeration of people and firms and the resulting increase in the importance of places for economic growth, central governments around the world have been decentralizing powers and resources to lower tiers of government.

Since the 1970’s, moves towards the decentralization of government have been visible throughout the world (Rodden 2002; Maio, Willis et al. 2003; Rodríguez-Pose and Gill 2003). In the SSA region decentralization has also been widespread, but usually relatively modest. In a majority of countries, decentralization is in its early stages, and represents a deconcentration of powers and resources rather than true devolution. Some countries, such as South Africa and Uganda, have however witnessed a rather extensive devolution. A recent World Bank stocktaking exercise (Ndegwa 2002) ranks the level of decentralization in thirty African countries. It finds that, in terms of regional and local government elections and the turnout and fairness of such elections, countries such as South Africa, Uganda, and Namibia have made the greatest progress, while sub-national governments are still largely appointed in countries such as Chad, Niger, and Eritrea (Ndegwa 2002: 3).

In terms of the financial resources available to sub-national governments, South Africa and Uganda again score high. The resources available to local and regional governments in Namibia are, by contrast, relatively low and comparable to those available in Eritrea (Ndegwa 2002: 5).
Complementing these political and fiscal aspects with administrative elements, like the division of power between national and local governments as established by law, and accountability and sustainability measures, Ndegwa (2002) computed a decentralization index, ranging from zero for no decentralization to 4 for maximum decentralization. As depicted in Figure 1.5, all countries within the sample show some degree of decentralization and moderate to far-reaching decentralization has occurred in at least thirteen of them.

Figure 1.5 Decentralization in Sub-Saharan Africa

Source: (Ndegwa 2002: 12)

1.3 The impact of globalization and localization on economic growth

Openness to trade, rapid urbanization, extensive and sometimes rising inequalities, and growing decentralization put SSA on a par with the rest of the world, making it hard to assert clearly that ‘Africa is different’ and thus requires different policies and strategies. The factor that pulls SSA apart from the rest of the world is, however, its dismal economic growth record; whereas the East Asia and Pacific region has seen its GDP per head multiplied eightfold since 1960, and in Latin America – the second worst performing macro-region in the world – it has almost doubled, GDP per capita in SSA has grown by roughly a quarter (Figure 1.6).
Over the past two decades structural adjustment programmes have been implemented in the hope that they would help increase economic growth and reduce poverty rates. So far these programmes have however proven unsuccessful in redressing Africa’s growth trajectory (Kajumulo Tibaijuka 2004; Nwankwo and Richards 2004; The Commission for Africa 2005).

Figure 1.1 GDP per capita as a percentage of 1960 GDP per capita

It is sometimes argued that this disappointing performance could in part be linked to the joint forces of globalization and localization. The increase in international trade and
investment, together with the greater localization of both production and governance, provide opportunities as well as threats for economic development. While numerous developing countries, and especially those in East Asia, have witnessed spectacular economic growth since globalization, most countries in SSA have not been able to exploit the new situation to their advantage. On top of this, even countries that have benefited overall, have had to face problems of highly uneven development and increasing environmental problems (Dicken 2003; Sachs and Warner 1995, 1997).

The processes of economic agglomeration and localization have similarly had ambiguous effects. While urbanization and economic agglomeration have generally allowed for increasing productivity, greater economic growth, and better living conditions, these trends have often been accompanied by severe social costs and diseconomies of scale (Scott and Storper 2003). SSA too is experiencing both the potential problems and the genuine possibilities that increased agglomeration has to offer, although the panorama is aggravated by the lack of economic development. Urbanization has been accompanied by little or no economic growth in many SSA countries. This has prevented many cities and towns in the region from acting as the engines of growth seen elsewhere. The resulting shortage of employment opportunities, combined with a general lack of health and education provision in Sub-Saharan African urban environments, have generated problems of urban unemployment and underemployment, poor living conditions, and extreme poverty. Yet, the economic contribution of cities in SSA is not negligible, as economic growth during the 1990s derives mainly from urban-based industrial and service activities (Kessides 2005: 11). Urban areas already produce more than half of the region’s GDP, and, under proper management, this percentage is likely to increase (Kajumulo Tibajuka 2004: 2).
In addition to localization and globalization, other political, structural, and human factors play a role in the disappointing economic performance of most countries in SSA. Among the most vital are; poor governance; civil conflict; low population density; a lack of spatial connectivity, due to extremely inadequate infrastructure provision; and poor health and education provisions.

The continuing poverty and lack of formal employment opportunities often forces members of rural and urban households to seek multiple sources of livelihood to survive. Although such diversification increases income security, it can also be a hindrance to poverty reduction as it prevents the poor from concentrating on those activities in which they are most productive (Ellis 1998; Helmsing 2001a). Also, the informal economy is responsible for a large percentage of total employment in the SSA countries.

The actual size of the informal economy in the region is difficult to assess, but one estimate puts the informal sector as responsible for 78% of all non-agricultural, 61% of urban employment, and 93% of all new jobs being created in Africa (Table 1.5).

<table>
<thead>
<tr>
<th>The Informal sector as a percentage share of:</th>
<th>Africa</th>
<th>Latin America and the Caribbean</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-agricultural employment</td>
<td>78</td>
<td>57</td>
<td>45-85</td>
</tr>
</tbody>
</table>

Table 1.5 The size of the informal sector in the developing world
The prevalence of the informal economy has traditionally had a negative connotation, linked to poor occupational safety and illegal and criminal activities. Lately, there has however been a growing awareness that informal activity can take several more benign forms, such as home-based work and small-scale family businesses, and may in fact provide valuable employment opportunities, particularly to the poor (Xaba, Horn et al. 2002: 11-12). In light of these findings, it is important to devise development strategies that successfully incorporate this important sector of the economy.

1.4. The emergence of a new territorial structure

The amalgamation of processes outlined in the previous pages is leaving an important territorial imprint in SSA and other parts of the world. This new, more heterogeneous, and fragmented territorial structure is characterized by the emergence of three types of spaces with very different development needs and often within the same national framework.

The key spaces in this three-tier structure are:

a) Primate cities: Relatively large urban agglomerations, often associated with state capitals, which have not only managed to attract massive rural-urban migration, but also a greater concentration of economic activity.

This is mainly because of their greater accessibility, their larger economies of scale, scope, and agglomeration, their greater presence of skilled labour and markets, and, their better capacity to compete in open markets. In almost all cases,
these large urban agglomerations also suffer from serious problems of poverty and social exclusion, as well as violence and the rise of large slums.

b) **Intermediate city-regions:** Medium-sized cities, outside the direct area of influence of the primate city, and often articulating large rural hinterlands are also gathering greater protagonism. These cities are generally growing and attracting population from rural areas. But, given their size and frequent endowment deficiencies, they frequently struggle to find market niches and become competitive. In parts of SSA, many of these intermediate city-regions are often becoming increasingly dependent on international aid.

c) **Rural areas:** Generally remote, with poor accessibility, and with weaker endowments in human resources and firms, the problems of rural areas differ significantly from those of primate cities and intermediate city-regions. Across SSA, many of the problems of rural areas are exacerbated by global restrictions to trade in agriculture and by the greater volatility in the price of agricultural produce and raw materials.
2 Implications for Development Strategies: LED as an alternative in Sub-Saharan Africa?

Although there are some grounds to claim that some structural problems are graver in SSA than elsewhere in the world, overall the socio-economic processes experienced by other low- and middle-income countries are present in SSA as well, raising doubts about the validity of the assertion that ‘Africa is different’. If SSA is not really different, if the factors and processes that are affecting other parts of the world are present in the Continent, then there may be less reason to focus on the need to develop exceptional development strategies for SSA, and greater scope to concentrate on strategies that have been applied elsewhere in the world and that could cater for the important differences observed within the Continent. This section argues that strategically-planned LED may thus provide a more flexible and effective approach to simultaneously enhance economic growth and reduce poverty. Across SSA LED strategies may be able to offer a more people-centred and locality-specific alternative to the structural adjustment programmes that have dominated the development policy panorama for SSA in the past decades (Schuurman 1993; Binns and Nel 1999: 389), and which seem to have failed to adequately address the changing reality of the Continent.

LED strategies have their origins in the high-income countries of the North. They emerged in the last thirty to forty years as a response to the social and economic problems that resulted from the persistence of locality-specific development problems (Nel 2001: 1004). The disappointing results of traditional top-down, supply-side sectoral development strategies in combating the resulting rise in unemployment and regional inequality drove
the search for alternative development strategies that would offer opportunities for growth to all areas (Roberts 1993).

In the South, LED has been gradually emerging as a development strategy for similar reasons. The persistence of problems of slow economic growth and poverty, combined with the changes in the national and international economic environment, and the effective inability of many central states to intervene at the local level have provided a strong impulse towards more locally based initiatives. In many developing countries, the situation was aggravated by factors such as the debt crisis, imposed structural adjustment and massive currency devaluation, and other natural and political shocks (Nel 2001: 1004).

In this context, the term ‘local economic development’ has been used to describe a growing number of initiatives, ranging from industrial policy and regional planning to community development, which, although part of a LED strategy, cannot entirely be considered as LED. LED only refers to those development strategies that are territorially-based, locally owned and managed, and aimed primarily at increasing employment and economic growth (Rodríguez-Pose 2002). Some definitions of LED are provided in Box 2.1.

Box 2.1 Local Economic Development – Some definitions

1. “Local Economic Development is a process where the local actors shape and share the future of their territory. We could define it as a participatory process that encourages and facilitates partnership between the local stakeholders, enabling the joint design and implementation of strategies, mainly based on the competitive use of the local resources, with the final aim of creating decent jobs and sustainable economic activities.” (Canzanelli 2001: 9)

2. “Local Economic Development (LED) is the process by which public, business and
non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. The aim is to improve the quality of life for all.” (World Bank Urban Development Unit 2003: 4)

3. “Local economic development refers to the process in which local governments or community-based (neighbourhood) organizations engage to stimulate or maintain business activity and/or employment. The principle goal of local economic development is to stimulate local employment opportunities in sectors that improve the community, using existing human, natural, and institutional resources” (Blakely 1994: xvi)

4. Local economic development “is essentially a process in which local governments and/or community based groups manage their existing resources and enter into partnership arrangements with the private sector, or with each other, to create new jobs and stimulate economic activity in an economic area.” (Zaaier and Sara 1993: 129)

There are several key differences between traditional development strategies and strategically-planned LED. First of all, traditional development strategies have tended to adopt a sectoral approach to development, while LED takes a territorial approach: it focuses on the development of a region or locality rather than an industrial sector. Secondly, development strategies are generally top-down, with the central government deciding where intervention is needed with little or no input from local actors. In contrast, the LED approach focuses on development from below and advocates the need for promoting economic development in all areas. While national institutions are often too remote to be
able to respond effectively to the rapidly changing local and regional needs, local institutions can be much more flexible and can more easily interact with other local economic and social actors. This allows them to formulate development strategies in cooperation with local stakeholders, making them better tailored to local needs. Finally, traditional development strategies have tended to focus on large industrial projects or infrastructural investments, using financial incentives to attract large firms in the hope that this would, in turn, foster additional economic activity.

LED strategies, on the other hand, seek to exploit the development potential of each area and to stimulate the adjustment of local economic systems to the changing economic environment. LED aims to develop local strength and overcome weaknesses in order to allow the locality to successfully confront the opportunities and threats it faces from the external environment. (Rodríguez-Pose 2002: 1-10).

LED strategies present a number of potential social and economic benefits. First of all, they combine an economic and social dimension that is frequently hard to identify in traditional development strategies. LED seeks to join together the objectives of generating sustainable growth and addressing the needs of the poor in the territories in which it operates. In addition, the fact that LED strategies are mainly developed by the local government and a broad range of local stakeholders, means that LED strategies can help empower local societies and dynamise local resources. They allow local people to adopt a more pro-active stance with regards to their own future, even if they are living in areas of the world that have until recently had little say or control over the economic activities that take place in their territory. On top of that, the active involvement of a variety of stakeholders not only helps to develop a stronger local civil society, but can also contribute to make local institutions more transparent and accountable. Secondly, successful LED
strategies can help to create an environment that stimulates the creation of more sustainable and higher quality employment opportunities.

However, as with every policy, these benefits may not occur if policies are badly designed or implemented. If a small group of actors manages to capture the policy-making process, LED strategies may be geared towards the private interests of the few, rather than the collective or social interests of the locality as a whole. But even without such problems of policy capture, the challenges a locality faces may be too great or complex for local governments to handle. Although problems of lack of authority or resources obviously play a role here, the results also depend on the quality and reliability of local institutions and on the policy-making process in itself. In general, the more adequate the diagnosis and the design of the strategy, the greater the chances of medium and long-term success.

The flexibility and adaptability of LED approaches has made them increasingly popular across the developing world. Localities, regions, and even states in Latin America and Asia have implemented or actively encouraged LED strategies in order to address persistent development problems. These strategies generally combine the economic and social dimension of LED. The perceived ‘exceptionalism’ of SSA has acted as a limit to the diffusion of LED strategies throughout the Continent. In comparison to Latin America and Asia, examples of LED in SSA are still relatively scarce. And what is more, LED experiences in SSA frequently tend to focus on the social dimension of LED to the detriment of its economic side. They thus often become local development, more than true local economic development strategies.

As mentioned earlier, within the development literature, the LED approach is often presented as existing in two different varieties: the neo-liberal pro-growth and the welfarist pro-poor variety. In this context it is argued that the pro-growth variants, which are
dominant in Western Europe and North America and some parts of the developing world, aim to formulate a response to the economic challenges posed by globalization and localization (Clarke and Gaile 1992). The so-called pro-poor variants of LED, in contrast, which are deemed to be more prominent in most of the South, and, in particular, in SSA, are argued to primarily seek to address social problems, such as poverty and exclusion (Helmsing 2001a; Helmsing 2001b; Nel and Rogerson 2005b). In SSA, LED has therefore become often identified with self-reliance, survival, and poverty alleviation, rather than participation in the global economy, competitiveness, and finding market niches (Binns and Nel 1999:390).

This use of the term LED across SSA in order to define what is one of the constituent parts of LED, but not the whole, is creating unnecessary confusion and contributing to give the wrong impression that the goals of growth and poverty reduction are somehow mutually exclusive.

LED thus becomes assimilated in SSA with what is more appropriately referred to as community or local development. These pro-poor LED for strategies are essentially about achieving social rather than economic goals. They address important problems, but tend to concentrate on short-term survival issues and on remedial action for the alleviation of social problems, leaving many of the economic issues that lie at the basis of underdevelopment virtually untouched.

True LED cases in SSA are thus hard to find. In South Africa, for instance, these so-called ‘pro-poor LED’ strategies are relatively widespread. In most instances, local governments do not even involve the local business community in the process of developing these strategies, and instead initiate much more limited pro-poor initiatives, such as sewing schemes or craft production. As these strategies are generally presented
as LED, their success is often measured both in terms of social and economic indicators. Unsurprisingly, the results of these efforts in the areas of job creation and economic growth are often judged as disappointing (Hinderson 2003), thus contributing to give a bad name to LED.

LED strategies primarily aimed at increasing economic growth, however, also share the goals of poverty alleviation and of a greater inclusion of previously excluded groups in social and economic life. On a general level, many studies show that welfare indicators, such as life expectancy at birth, and literacy and mortality rates, are strongly correlated with income levels, especially in low and middle-income countries. This suggests that economic growth may indeed have a trickle down effect that leads to the achievement of other social goals (Anand and Ravallion 1993; Kakwani 1993b; Pritchett and Summers 1996). More specifically, the inclusive character of the LED process encourages the creation of strategies that seek to strike a balance between the interests of local firms and highly skilled, easily-employable individuals and other stakeholders, like informal enterprises, the poor, women, or other traditionally marginalized groups. As some of the case studies presented in this paper show, this process can lead to win-win situations, within which economic growth and other social goals can go hand in hand.

However, this sort of LED approach, which is customary in the developing world and across Latin America and Asia has been almost absent in SSA. Examples of LED strategies that properly combine a pro-growth with a pro-poor dimension in SSA are rare, and often confined to countries, such as South Africa (see Box 2.2), that already have a significantly more developed and diversified, globally linked and urbanized economy than the rest of the Continent, making its greater progress in LED not particularly surprising.
South Africa is one of the few countries in Sub-Saharan African region that has been officially embarking on LED projects for over a decade. A focus on so-called LED strategies was introduced shortly after the end of Apartheid. Although most of these projects can be considered to be community development or so called pro-poor LED projects, the larger metropolitan areas in South Africa, such as Johannesburg and Durban, have initiated LED interventions similar to those in Western Europe, North America, or parts of Latin America and Asia. So far the results of these efforts have been mixed; while some cities, like for instance Durban (see Box 2.5), have achieved considerable successes, many projects have failed to live up to expectations (Rogerson 1999; Nel and Rogerson 2005a).

The lessons that seem to be emerging from the South African experience are in many ways similar to those found in other parts of the world. Issues that are also common within LED projects in the North, such as internal constraints, lack of local resources and skills, have been found to have an effect on the success of LED strategies in the SSA context too. However, on top of these more common problems, the frequent loss of a locality’s economic base and the low appeal of the country as a whole to external investors in the wake of the demise of Apartheid created a more difficult development environment for local governments. Especially since these challenges are combined with a near absence of state-assistance for LED, local initiatives often fail to deliver the necessary employment opportunities (Binns and Nel 1999; Nel 2001).

The South African experience may hold valuable lessons for the broader application of the LED approach in SSA. Although South Africa is arguably in a better
position than most Sub-Saharan African countries, especially in terms of GDP per capita and transport infrastructure provision, it is facing a similar development environment (Nel and Rogerson 2005b), and many of the problems encountered by LED strategies there may be reproduced elsewhere in Africa.

The next four sections of this chapter discuss the four most important dimensions of LED strategies and evaluate their potential in the Sub-Saharan African context. The final part of this chapter will look at the importance of an enabling environment in order to allowing the possible benefits of LED to materialize.

2.1 The territorial dimension

LED strategies differ fundamentally from most traditional development strategies in that they approach development as a local rather than a sectoral problem. This focus on the territorial aspect of development is a response to the increased localization of the economy. As was discussed in the first part of this paper, globalization forces in combination with advances in transportation and communication technologies now allow firms to take greater advantage of urbanization and localization economies. As a consequence, economic activity has tended to become more concentrated than hitherto. As a result, it can be argued that sub-national regions rather than countries are now competing with each other for investment, economic activity, and labour. The enhanced competition between localities, coupled with the trend to decentralize authorities and resources to lower tiers of government, create an opportunity for LED policies.

The trend away from traditional development models towards a more custom-made, locally-based approach has two main consequences. Firstly, the LED approach leads to a
wider variety of development strategies. Best practices are still used, but the focus on local stakeholder involvement means that they are thoroughly adapted to local conditions before being implemented.

A second effect of the shift to territorial policies is that development policies now emphasise the efficiency rather than the equity side of development. Whereas traditional top-down sectoral policies were almost always conceived with an implicit balance between economic efficiency and territorial equity in mind, the LED approach focuses more on efficiency (Cheshire and Gordon, 1998; Brenner, 2003). As decision-making is shifted to smaller territorial levels, the impact of development strategies is measured in narrower borders. These locally-defined goals may lead to increases in territorial inequity as stronger and more prosperous regions are likely to be both more actively involved in and more successful at competing for economic activity than their less-prosperous counterparts (Cheshire and Gordon 1998). This is in part due to the fact that the relatively favourable local conditions in more prosperous cities and regions puts them in a better position to generate economic activity and employment opportunities. Government officials in these areas may also be better able to develop and implement LED strategies. A combination of a greater capability when formulating and implementing territorially competitive policies, with a larger tax base and lobbying muscle for additional central government and donor funds and resources means that the stronger, more prosperous regions may benefit more from LED than their weaker counterparts (Cheshire and Gordon 1996). Therefore it is important to remember that, although local policy makers take more and more responsibility for the efficient spending of public funding at the local level, national governments still need to assume responsibility for coordinating policies and ensuring a degree of spatial equity support that prevent the economic, social, and political
problems that territorial disparities can cause.

Although not necessarily equity-increasing, the territorial focus of LED can be very attractive since it allows for a more efficient use of public funding. It can generate economic efficiency gains in two main ways. First of all, increased competition and autonomy can encourage governments to find more efficient and cost-effective ways of producing goods and services, thus increasing producer or \(x\)-efficiency (Lever and Turok 1999: 791; Martínez-Vázquez and McNab 2003: 1603).

Secondly, it can be argued that policies that are formulated by local governments tend to be more responsive to local needs and preferences in the allocation of resources, leading to consumer or allocative efficiency gains (Lever and Turok 1999: 791; Martínez-Vázquez and McNab 2003: 1603). The need to compete with other localities forces governments to analyse the local situation more thoroughly and engage more with local stakeholders in a bid to tailor public services to local needs (Tiebout 1956). Local governments are in general better suited to the task of tailoring policies to local needs, since they have better access to local information and can more easily identify and liaise with representatives of other local stakeholders (Musgrave 1959; Oates 1999).

As economic activity has become much more mobile, competitive localities, which efficiently produce locally-tailored public goods and services, can be of great importance to the national welfare, not only because they increase the competitiveness of national firms, but also because they can help to attract and retain activities that would otherwise have been located outside of the national territory. However, caution is needed in applying the approach as evidence from developing and developed countries shows that, although the LED approach can offer a real opportunity for stimulating local economic growth and employment opportunities, its contribution to such development goals is far from certain.
As will be discussed in the next sections of this chapter, the way LED strategies are designed and implemented is crucial to their potential impact on growth and prosperity (Box 2.3).

2.2 The governance dimension

There has been a growing awareness that the quality of governance has an important impact on the ability of governments to design and implement successful development strategies. Good governance in this context involves both the provision of adequate voice and exit options and the capability to successfully manage the social and economic development challenges within the territory (Huther and Shah 1998). In the context of globalization and localization, these issues are no longer purely national.

The importance of the locality in development and the resulting increasing reliance on LED strategies have augmented the need for good governance at all governmental levels. Where traditional development strategies relied mostly on national systems and on the capabilities of central government officials, the success of LED strategies depends, to a large degree, on the existence of appropriate local and regional institutional systems and on the availability of the necessary frameworks and skill-levels at all government tiers. This reliance on good governance at all levels can be advantageous in that it can stimulate the involvement of local interests, enhance interaction among different stakeholders, empower local civic groups and the population in general and facilitate spillovers into other policy areas. However, the level of cooperation and co-ordination needed can be difficult to achieve and costly to maintain, especially in the context of low and middle income countries.

Locally, horizontal cooperation between a wide range of stakeholders is essential.
High quality and inclusive institutions are particularly important to the success of the LED approach, as it relies heavily on the participation of a wide variety of stakeholders to identify local opportunities and threats and formulate strategies to address them. This participation can take several forms, from voting in regional or local elections to participating in strategy-formation meetings and knowledge sharing exercises. As discussed earlier, decentralization has created new layers of governments in many countries which may facilitate this participation. The introduction of local or regional elections reduces the distance between politicians and their electorates, which may, in turn, increase political accountability, transparency, and participation (Putnam 1993; Klugman 1994; Azfar, Kähkönen et al. 1999; Thießen 2003: 241; Rodríguez-Pose and Gill 2005: 12). It can be argued that, since local and regional governments are closer to their electorate and deal with less complex agendas than central governments, citizens are better able to understand the policy issues at hand, monitor the behaviour of politicians, and hold them accountable for their actions (Blair 2000: 22).

On the other hand, the closer ties between politicians and their electorates may in fact render them more vulnerable to capture by particular interests and corruption (Banfield 1979: 98; Prud’homme 1995: 211; Manor 1999: 101-102; Rodríguez-Pose and Bwire 2004: 1911). On top of this, regional and local elections may not provide much clearer information about local preferences than national elections do. Voting patterns may simply follow the national pattern. This can be the case because sub-national elections are often perceived as essentially second-order elections, in the sense that the outcomes are determined by the political situation in the first-order – i.e. the state-wide political arena – or because citizens do not reveal their true preferences, but rather vote on the basis of personal, tribal, or political party loyalties (Prud’homme 1995: 208). The overall effect of
local elections on the quality and fairness of governance therefore remains to be seen.

The potential success of the LED process is also highly dependant on the horizontal cooperation between the local government and other local stakeholders. The ability of local governments to stimulate the participation of a variety of stakeholders in the formulation and implementation of public policies, as well as the pre-existence of formal and informal organizations of key local stakeholders with which local governments can liaise, are therefore likely to have an impact on the success of LED strategies (Klugman 1994; Narayana 2005) (see Box 2.4 on the impact of efforts to encourage participation of local stakeholders in India). This sort of horizontal co-operation also can contribute to the inclusion of certain groups or sectors, such as the informal sector, which are underrepresented in formal channels and which would other have little or no voice in the development process (See Box 2.5)

**Box 2.3 Local governance and participation: the case of Kerala and Tamil Nadu (India)**

In spite of India’s long history of parliamentary democracy at the federal and state level, a largely bureaucratic system has long been dominant at the local and regional level. Important changes in the system were introduced in April 1993, when amendments to the Constitution obliged states to create local government institutions, called Panchayati Raj. Panchayats are responsible for the preparation and implementation of certain schemes for economic development and social justice, as well as levying and collecting the appropriate taxes, duties, tolls, and fees. They are intended to increase participatory rather than representative democracy, by raising the participation of those citizens generally excluded from decision-making process for social, economic, or gender reasons.

The effect of these amendments on the participation rate of women, the scheduled...
castes and tribes, and the poor has varied from state to state. In the state of Kerala, for instance, the scheduled castes and the poor are over-represented at the Panchayat level compared to other societal groups. Although the participation rate of women is still behind that of men, it is generally higher than in most other Indian States. In the state of Tamil Nadu, on the other hand, only the scheduled castes are proportionally represented at the Panchayat level, while the poor and women still largely under-represented.

An OECD Study (Narayana 2005) into the origins of these differences concluded that:

1. Literacy and newspaper reading aided efforts at raising awareness amongst citizens, but were in themselves not sufficient to ensure participation.

2. The existence of strong ties amongst members of excluded groups, for instance in the form of self-help groups, did not always lead to higher participation rates. The nature of these groups (formal or informal), the frequency of their meetings, and the topics that are discussed (political or non-political) all influenced the effects on participation.

3. Where scheduled castes and tribes and the poor were already actively involved in political parties, their participation in the new local governance structures was found to be higher. Where political parties were instead dominated by the elite, the opposite result was found.

4. The size of local government was not found to influence the participation, casting doubts on the idea that larger governmental units would discourage the participation of previously excluded groups.

5. Where the devolution of resources and powers to local governments was more
extensive, participation tended to be higher.

This study shows that the success of institutional reforms aimed at increasing political participation, in general, and of excluded groups, in particular, depend both on the specifics of the reforms themselves and on local conditions. In the Sub-Saharan context, generally low levels of literacy may present an obstacle to participation, particularly in the case of the poor, women, and rural populations. The ability of existing self-help groups to facilitate greater participation is likely to differ greatly both between and within countries, and will therefore need to be assessed on a case-by-case basis. Even where self-help groups provide a useful springboard for formerly excluded groups, history suggests great care is needed in designing local government structures in such a way as to prevent the domination of the political process by existing social or economic elites (The Commission for Africa 2005:141-142).

In summary, the Indian experience seems to suggest that the devolution of powers and resources can be an effective instrument in increasing participation, but it also shows that local conditions and design issues need to be closely examined before embarking on such a strategy.

Source: http://rural.nic.in/panch.htm and (Narayana 2005)

In the Sub-Saharan African context, ensuring such a wide participation may be particularly difficult to achieve. For instance, a recent UN-Habitat study found that in many African cities the widespread insecurities in terms of tenure, livelihood, and personal safety have made many residents “reluctant to invest time and resources into institutionalising a sense of place” (Simone 2002: 18). Similarly, the recent African Governance Report
Economic Commission for Africa 2005) finds that, in general, the private sector is often not involved in policy-making on development issues. This report, however, also found that, contrary to expectations, private sector involvement has been increasing in 14 of the 28 African countries examined. Good examples, such as Mauritius, where 71% of respondents said that the private sector was usually involved in policy-making, provide hope for the potential future success of LED strategies in SSA (Economic Commission for Africa 2005: 18).

On top of that, the number of civil organizations has been found to be rapidly increasing in most Sub-Saharan African countries over the last decade. These new organizations potentially provide local governments with credible partners in the LED process, both during the strategy formation and the implementation phase. However, many of these organizations “may still suffer from weak capacity, poor transparency and lack of accountability, particularly where their work becomes influenced by the agenda of their funders” (The Commission for Africa 2005: 145). Therefore efforts will need to be made in order to develop both the human resources and the institutional capacity of existing organizations and stimulate the creation of organizations of currently underrepresented groups to allow them to successfully fulfil their potential role in the LED process.

Box 2.4 LED as a strategy for the informal economy? The case of Durban (South Africa)

After the end of Apartheid, South Africa underwent a far-reaching process of decentralization. The 1996 Constitution grants local governments extensive responsibilities in the realms of LED and citizen participation in local governance. The city of Durban used these newly acquired powers to set up a local project in support of the
informal sector.

The informal sector has traditionally been a very important part Durban’s economy, not only due to the important employment opportunities it offers, but also because it provides accessible and affordable shopping outlets to the many commuters that live in the informal settlements that surround the city. Previously, the city had already undertaken steps to support street traders. Although these efforts led to some improvements, they ignored the important home-based part of the informal economy and lacked an overall vision for the sector.

In 1999, the city decided to address these problems with the creation a Technical Task Team consisting of representatives of local governments. The task team produced a draft document, which was subsequently subjected to a broad local consultation process. The process included representatives of informal and formal business organizations, trade unions, civic groups and development forums. The resulting Informal Economy Policy is remarkable in several ways. First of all, it strongly acknowledges the importance of the informal sector and the strong ties that exist between the formal and the informal aspects of the city’s economy. Secondly, it is much more inclusive than previous centrally-planned policies, as it looks both at street traders and home-based work and seeks to make existing support services, such as basic business skills training and legal advice, available to all. Finally, it recognizes the importance of worker organizations in the informal economy. Policy interventions aimed at supporting these types of organizations have strengthened the capacity within the informal sector to formulate the problems informal workers face and engage with local government officials in search of solutions to these problems.
Examples like this one suggest that the local level may indeed be the appropriate scale for governments to engage with the informal sector. These sorts of initiatives, which embrace the importance of the informal economy, involve stakeholders from all walks of life in policy-making, and seek to create policies that help rather than hinder informal activities, may be an important element in the fight against urban poverty.

Source: (Durban Unicity Council 2001) and (Skinner and Valodia 2003)

Apart from the horizontal cooperation between local stakeholders and government officials, LED strategies are also dependant on horizontal and vertical co-ordination between local, regional, national, and supranational or international institutions (Rodríguez-Pose 2002: 9). Although economies are progressively becoming more localized and moves towards further decentralization are noticeable around the world, many of the factors that determine the economic potential of a locality are still outside the control of local or regional governments. In order to achieve their development goals, local governments will therefore have to work together with the central government, donors, and international organizations.

In addition, as administrative units are usually based on historical or geographical factors, rather than on present economic reality (Cheshire 1999; Oates 1999), localities will often have to work together with other local or regional governments to address common problems. Bennett’s (1997) division between truly-bounded, over-bounded, and under-bounded structures of government is useful to illustrate this point. In theory, regions and localities are often assumed to be truly-bounded in the sense that their functional borders match those of an administrative or political unit. (Bennett, 1997: 326). In this case, horizontal co-ordination among administrative units in not necessarily crucial. This is also
the case for over-bounded regions whose functional borders are contained within the limits of an administrative or political unit. Under these circumstances, the co-ordination of the local authorities within the region will suffice.

On the other hand, such over-bounded regions are more likely to contain a diversity of interests, which in turn may make it more difficult to achieve consensus and formulate LED strategies. However, the most common case is that of the under-bounded region or locality, within which the functional boundaries encompass several similar level administrative or political units (Bennett, 1997; Scott, 2001b: 820). Under these circumstances coordination between different administrative units becomes imperative to the success of the LED strategy.

Vertical co-ordination requires a great deal of organizational capacity at different levels of government, which may not always be available. In the Sub-Saharan African context, in particular, this dependence on organizational capacity may hinder the formation and implementation of successful LED strategies. In part, the capacity-lag can be linked to the skill-level of civil servants, but can also be attributed to the lack of basic equipment that is needed for such co-operation, such as computers and functioning telephone systems (The Commission for Africa 2005: 140).

2.3 The integrated dimension

Top-down national development policies are designed to fit the needs of the entire country and therefore run the risk of not being able to respond to the needs and priorities of individual localities well, especially in larger and more heterogeneous the countries (Tiebout, 1956; Oates, 1972). If growth generated in one locality or region will eventually trickle down to benefit all regions in the country, this incapacity to cater for differentiated
geographical needs may not be a problem. However, empirical evidence suggests that is may not be the case, since geographical trickle-down effects rarely occur and are often outweighed by backwash effects (Hanson, 1998; Hanson and Harrison, 1999; Puga, 2002; Persky, Felsenstein, Carlson, 2004). As the first part of this paper showed, in a globalised world, the concentration of economic activity indeed seems more frequent than its dispersal. The LED approach addresses this problem by catering for the specific needs and preferences of the local population (Paddison, 2002: 12).

While traditional top-down policies have tended to rely mostly on financial support, incentive packages, and subsidies in order to attract economic activity, the inclusive nature of the LED process creates the necessary conditions for more integrated policies. Based on an analysis of the local strengths and weaknesses, local government officials, together with local stakeholders and outside experts, aim to devise a strategy that improves the basic conditions for the development of indigenous and the attraction of inward economic activity.

Box 2.5 Local SWOT analysis in the Sub-Saharan African context

In order to formulate a successful LED strategy, the local context within which such initiatives take place needs to be assessed. Perhaps the most commonly used tool for such assessment is the so-called SWOT analysis (World Bank Urban Development Unit 2003). Originally developed as a management tool for firms (Weihrich 1982), SWOT analysis can easily be adopted to meet the needs of LED planning. The aim of the SWOT exercise is firstly to identify the key local assets or strengths and main local obstacles to growth or weaknesses.

Secondly, it seeks to detect the main opportunities and threats that are posed by
the external environment. This local SWOT analysis can then, in turn, be used to formulate strategies that will allow the locality to make the most of its internal strength and the external opportunities and minimize the negative effects of weaknesses and threats.

In appearance a relatively simple exercise, local SWOT analysis is often tricky for local governments, who tend find it difficult to perform it correctly. A good example of this problem in the Sub-Saharan African context is provided by the Cape Town Integrated Development Plan (2003-2004). Although the local government officials in Cape Town could be considered to be amongst the more skilled in the region, the SWOT analysis shows the difficulties they encountered when trying to distinguish between the internal and external factors that affect the city’s economic potential.

The fact that the city owns land which it could sell in order to finance certain projects is, for instance, presented as an opportunity, rather than as a strength. In addition, strengths and weaknesses in their analysis are very much focused on the prospects for better service delivery, rather than economic growth.

The aim of LED is to create comprehensive and balanced local development strategies. Such strategies are usually centred around four main axes: the improvement of the competitiveness of local firms, the attraction of inward investment, the upgrading of human capital and labour skills, and the upgrading of local infrastructure (Rodríguez-Pose 2002: 9). Through a careful analysis of the economic potential of the area, development bottlenecks in the local structure can be identified and addressed in order to allow the locality to take advantage of opportunities for growth and employment.

However, intervention in any of the four axes should be matched by sufficient capability in the other three. If, for example, steps are taken in order to attract inward
investment, the effect of such measures on economic growth and employment will depend to some extent on the strength of the local economic fabric, the local infrastructure, and the human resources available. Putting too much emphasis on attracting inward investment, while local firms are uncompetitive and skilled labour is scarce, is likely to create low-skilled, low-paid employment and foster a greater dependency on external economic actors. If skill levels are adequate and local firms are capable of producing quality inputs for external producers, a strategy aimed at attracting inward investment is likely to produce higher quality employment and additional opportunities for local firms. Similarly, any improvements along the other three axes will need to be balanced with efforts to boost the remaining factors to a level that will allow the local economy to take full advantage of these improvements. If this is not the case, a strong emphasis on local firm development will only lead to the subsidizing of non-competitive firms, while focusing solely on labour skills development, without creating suitable jobs within the locality, can cause migration and brain drain.

Finally, large infrastructure investments, particularly if they aim to connect a relatively remote to a more advanced area, may only provide competitors with easy access to the local market (Rodríguez-Pose 2002: 9-11).

The risks of relying too much on one policy instrument are significant. In order to be able to develop a balanced strategy, local governments need to have the capacity to correctly identify the locality’s main strengths and weaknesses, as well as the opportunities and threats it faces. In the Sub-Saharan African context this may not always be the case. As Simone (2002:19) argues, “municipal authorities and department staff often lack important data regarding demographic profiles, land registration, enterprises, and population related investments that could help inform policy and program
development”. And even when the necessary data are available, local government officials may not have the skills to analyse the information and translate it into viable policy options. Weak government capacity is a problem in most Sub-Saharan African countries, but as Figure 2.1 shows, the situation differs from one country to another. Overall, local government capacity in SSA is not worse than the lower-middle and low-income average. In fact, low-income countries in SSA, such as Ghana, Mali, and Tanzania, and to a lesser extent Mozambique, Madagascar, Uganda, Burkina Faso, and Cameroon, rank well above what might be expected considering their income levels (Figure 2.1).

Figure 2.1 Government effectiveness in the 20 largest Sub-Saharan African countries (in world percentile rank)

Despite these encouraging signs, lack of government capacity is likely to remain an obstacle for the success of LED in many countries within the region (see Box 2.7 for an
example on how this problem is being circumvented in Zambia). Particularly at the sub-national level and in the more remote areas, attracting and retaining qualified staff is difficult (The Commission for Africa 2005: 137-144). This factor can be partially attributed to the poor state of African higher education, both in terms of physical infrastructure and human resources. African universities do not have the capacity to educate a large enough sector of the population to meet the demand for skilled workers. There is also a substantial brain drain from Sub-Saharan African countries to the developed world, due to the generally low wage level and difficult circumstances within the region. This problem is often worse in the public sector. In many countries, inflation and fiscal austerity programmes linked to structural adjustments have caused a decrease of public sector wages to below living standards (Helmsing 2002: 318).

With low wages, the public sector is failing to attract the most capable people and civil servants are often forced to combine their public sector job with other forms of employment or, in some cases, corruption. Jointly these trends are limiting the capacity of Sub-Saharan African states, in general, and local and regional governments, in particular. This, in turn, affects the likelihood that LED initiatives conducted by local governments without the help of outside experts will lead to well-balanced and correctly targeted LED strategies.

**Box 2.6 Managing local capacity problems? The Zambia Social Investment Fund**

The Zambia Social Investment Fund (ZAMSIF) started out as a traditional social fund; a largely top-down development policy aimed at developing small-scale projects that would benefit the poor and other vulnerable groups. Although community participation was initially limited, the focus changed in the second stage of the programme. Implemented
from 1996 to 2000, the aim of ZAMSIF II was to involve local governments in identifying, designing, and implementing local projects. In the original plan, full authority for the programme was to be transferred to elected local governments by the year 2000.

Since then, tasks have been progressively delegated to district councils. However, this process has uncovered substantial gaps in the technical and managerial capacity of the responsible councils. The third phase of ZAMSIF now aims to address these capacity deficits and gradually devolve project cycle activities to local governments when they have reached the required capacity. In addition to its efforts to try to strengthen the capacity of the districts, the ZAMSIF also funds small-scale community-led projects.

Although ZAMSIF has social rather than economic goals, and the projects it funds tend to be small-scale community development programmes rather than LED, experiences from these types of programmes can be used to develop LED strategies as well.

Similar problems of lack of capacity at regional and local level may jeopardize the success of such projects.

The ZAMSIF’s strategy of gradually devolving responsibilities to districts that have proven to be able to perform policies effectively could become a useful tactic for increasing the success rate of LED-initiatives in SSA. The idea of devolving responsibilities only to the more advanced districts may however have potential implications for regional inequalities, as the more prosperous regions are also more likely to already have or be able to quickly acquire the necessary skills.


Even where local governments have the capacity to properly analyse and assess
the local environment, they may choose to devise development strategies that are overly reliant on one or two of the key development axes. This is because political cycles tend to relatively short and public opinion often fluctuates with the short-term effect of policies. LED strategies – like any other development policy – are, in contrast likely to yield results only in the medium-term. This mismatch between political and development cycles creates incentives for decision-makers everywhere to seek and implement simple, highly visible policies, more capable of producing results in the short term. This need for fast and visible returns is one of the factors behind the tendency of local, regional, national, and international policy-makers alike to development strategies too reliant on infrastructure investment and the attraction of inward investment, often to the detriment of medium and long-term more balanced and tailor-made strategies.

2.4 The sustainability dimension

In the 1970s and early 1980s, environmental protection and economic development were often seen as conflicting goals. The introduction of the idea of sustainable development represented a move away from such a simple dichotomy. Although the concept of sustainability has since been rapidly embraced by international organizations and national, regional, and local governments, it has proved difficult to define. In its most narrow sense, sustainable development aims to reconcile economic growth with maintaining non-renewable environmental assets or natural capital. Natural capital here refers to “any stock of natural assets that yields a flow of valuable goods and services into the future” (Roseland 2000: 78). However, there has been a growing recognition that these economic and environmental objectives should be complemented by social goals, like increasing the fairness of the distribution of economic
and environmental gains and losses and augmenting political accountability and participation (Harris and Goodwin 2001; Harris, Wise et al. 2001; World Bank 2004).

LED strategies are particularly well placed to address sustainability issues for several reasons. Firstly, the processes of economic globalization have not only increased the localization of economic activity, but also the spatial concentration of social and environmental problems. Especially in developing countries, the trend towards further urbanization has resulted in localized problems of poverty, social exclusion, and environmental degradation within urban areas (Kajumulo Tibaijuka 2004).

Secondly, the multidimensional character of the sustainability concept presents a range of difficult trade-offs. In this context, an LED approach offers an opportunity for residents and other local stakeholders to voice their opinion and devise a strategy that fits the particular needs of their locality. This may be particularly important for those developing countries, whose economic and social problems tend to be more severe and where environmental degradation often has a greater and more immediate effect on health and general well-being (Kumar Duraiappah 2004: 10).

Finally, the participatory character of the LED process in itself can help create a more socially sustainable system, by encouraging the inclusion of previously excluded groups in the policy-making process and making government more transparent and accountable. The local environment, in economic, social, and environmental terms, affects a broad spectrum of interests. By encouraging direct and indirect participation of different stakeholders, the LED approach can promote the formulation of more inclusive development strategies that take due account of the current situation within the locality and the social and environmental consequences of different policy options.
Within a national context of high unemployment, poverty, and hyperinflation, the city of Mutare, the fourth largest city in Zimbabwe, is attempting to promote sustainable development. Rapid urbanization has led to increasing problems of environmental degradation and rising inequality and unemployment. The poorest members of the community, living in the suburb of Sakubva, have been hardest hit by these developments. Problems of unemployment, underemployment, and poverty are concentrated in this area and have led to a rapid growth of unserviced shacks. Environmental problems were further aggravated by the fact that the highly overused municipal rubbish dump was located in this area. Since the city was unable to cope with the volume of rubbish it generated, rubbish was often burned at the roadside or left to rot, inevitably creating environmental and health problems.

As a result of the 1992 Rio de Janeiro Earth Summit and the Agenda 21 blueprint for sustainable development, Mutare City Council was twinned with the Dutch city of Haarlem. In 1996 this partnership resulted in a waste management initiative. One of the consequences of the participation of a broad range of stakeholders, including non-governmental organisations and representatives of industry and commerce, was that the plan that resulted from the community consultation process focused, not only on waste reduction, but also other aspects of sustainable development, such as community development and employment. As the city's rubbish consisted mainly of organic material and paper, a composting and recycling scheme was set up to tackle the waste disposal problem. However, these measures had other benefits too. Many households in the relatively poor Sakubva area of the city, which heavily relied on small-scale subsistence...
agriculture to supplement their income, benefited from the finished compost produced by the composting schemes, helping thus to increase the yields of local plots. Recycling also produced employment opportunities by tapping into formerly unused local markets for waste paper. Due to its location near the Eastern Highlands, Mutare has a relatively large timber processing industry.

As part of that industry, board and paper mills produce soft-board. Since demand for soft-board often exceeded wood supply, waste paper was used to supplement the wood. Until then, this paper was imported from elsewhere. The new initiative allowed for the product to be bought locally, thereby simultaneously creating benefits for local firms (cheaper raw materials), the local residents (employment), and the environment (less waste).

Although the scale of the project was too small to really solve the waste problems in the City, the high level of coordination between different stakeholders, including low-income communities, business and city council, and the relative success of the project, in terms of the local employment opportunities and environment benefits created with relatively little funding, provide hope for similar implementations on a larger scale.

This project shows that the different elements of sustainability can go hand in hand. The key feature of its success was the involvement of a wide variety of stakeholders with different priorities, skills, and areas of knowledge.

Sources: (ICLEI), [http://www.tve.org](http://www.tve.org), [http://www.haarlem-mutare.nl](http://www.haarlem-mutare.nl)

### 2.5 The importance of an enabling environment

The discussion above begs the question under what circumstances the LED approach represents a viable addition or alternative to traditional development policies.
There is no straightforward answer to this question. LED can produce noticeable efficiency improvement in public spending, but it can only do so under certain conditions. The national, regional and local starting conditions and potential of the territory where the LED strategy is designed and implemented will play a crucial role in the likelihood of success.

The local environment clearly impacts upon the likelihood of success. In general, it can be argued that fairly large and prosperous regions, with leverage with the central governments, developed civic, public, and private institutions, and relatively good initial factor endowments stand to gain most from the approach.

In contrast, LED is less likely to be successful within smaller, less well-endowed localities that cannot draw on strong pre-existing institutions and an informed and involved civil society. However, even though LED is a locally-owned and implemented programme, the national and regional environment within which a locality is imbedded will impact greatly on its ability to create economic growth and employment. In general, the national environment will tend to be more favourable in countries which already posses a relatively large stock Vázquez Barquero (1999) calls economic ‘hardware’, ‘software’, and ‘orgware’.

The availability of economic ‘hardware’ such as transport and communication networks, as well as infrastructure for the development of human capital, such as education, health, and cultural facilities, greatly facilitate the success of LED for a number of reasons. Firstly, as discussed in the first part of this paper, basic transport and communication infrastructures facilitate the working of agglomeration economies. In the SSA context, physical infrastructure is often generally poor and unevenly spread over different regions within a country. Although this may not be an insurmountable problem, it can affect the potential gains of the LED approach and the spatial distribution of such
gains. Secondly, as discussed in previous sections, strong local stakeholder capacity is needed to analyse the situation, formulate viable strategies and coordinate interventions. Human capital infrastructure plays a key role in creating such capacity. Many SSA territories suffer from poor human capital structures. Special care therefore needs to be taken to assess the local capacity level and, if needed, devise programmes to address gaps in human capital infrastructure that hinder LED development.

Related to the provision of human capital infrastructure is the idea that economic ‘software’ enabling features, i.e. the availability of the necessary ingredients to diagnosis local comparative advantages and resource bottlenecks and develop LED strategies, enhance the chances of success. As highlighted in section 2.3, lack of data and information and capacity at all levels can hinder the creation of viable and appropriate development strategies.

Although the SSA region performs better in many indicators than would be expected given its average income level, the presence of capacity problems clearly poses a threat to LED effectiveness and efficiency. That being said, it can be argued that capacity does not necessarily need to precede decentralization of policy responsibilities (Litvack et al., 1998). The LED approach involves local actors in such a way that it stimulates a constant process of learning-by-doing, which, to a degree, can make up for initial lacks in human capital infrastructure.

Finally, the availability of organizational capacity or ‘orgware’ which fosters the involvement of local stakeholders, develop networks and partnerships, and co-ordinate actions at different levels of government is of importance too. The LED approach itself and the trend towards increasing decentralization of government are favouring the creation of
regional and local institutions which may facilitate the success of LED in the future. The organizational capacity at all levels of government is however put under increased strain and may need to be improved to ensure the emergence of well-balanced, coordinated programmes.

**Box 2.8 Local, regional, national, and international actors in LED: the Case of the Manica Province (Mozambique)**

The LED programme in the Manica Province of Mozambique was initiated in 1998 as a part of a nationwide UN Interagency Programme. Since then, and given the LED nature of the process, regional, national, and international actors have been involved.

During the initial phase of planning the LED effort, ILO and UNOPS staff joined forces with national universities and research centres in order to gather the local information that was needed to inform the LED process. While international organisation staff provided technical expertise, the involvement of local academics added intimate local knowledge about local socio-economic conditions, existing economic development initiatives, and the legal and regulatory framework, as well as information on institutional and political matters and on the dynamics between local stakeholders.

Once the territorial analysis had been completed, the key local stakeholders were approached and brought together to discuss the findings of the study. Among the stakeholders involved were representatives of the local public and private sector, civil society, and funding agencies involved in the area. These meetings created valuable opportunities for exchange of information between groups which were not normally in close contact with one another. This interaction helped to increase awareness of the LED project and create a more comprehensive understanding of the local issues.

To increase coordination among programmes and ensure a degree of
professionalism, a seminar on LED was organised in the provincial capital. During this seminar, representative of the government presented current policies that had an impact on LED, while technical staff from international organizations presented some of the key elements and methods of the LED approach. Afterwards, local stakeholders were able to discuss key specific issues in greater detail within smaller groups. This opportunity for local stakeholders within the LED process to meet and exchange ideas is invaluable for the coordination and ultimate success of the LED effort.

After a phase of information gathering and consensus building, the local stakeholders identified the key development objectives in their area and the major strategic fields of action for the achievement of those objectives. Technical staff from the international organizations involved provided information about experiences with such measures in other regions. As a response to this information, it was decided more research was needed into one of the actions, the provision of a local credit service. More detailed research into the local demand for and supply of financial services was undertaken by local universities. As a result of this exercise, the local forum decided to go ahead with the financial service part of the LED programme.

In summary, the case of the Manica Province shows that, although LED is very much a locally-owned approach, it requires the involvement of actors at all levels throughout the process in order to facilitate information and knowledge-sharing, ensure coordination of policies, avoid overlap of activities, and, ultimately, guarantee informed decision-making by local stakeholders.

Source: van Boekel and van Logtestijn (2002)
The influence of the presence of hardware, software, and orgware factors has on the likelihood of success of development strategies implies that LED may be a more fruitful approach in some areas and localities than in others. In high and to a lesser extend middle-income countries, the initial level of endowments and the presence of relatively developed and well-functioning civil societies creates a fertile soil for LED. In this context, larger and more prosperous regions may stand to gain more, but a great number of localities are likely to have the initial conditions that facilitate LED. In low-income countries, in general, and low-income SSA countries, in particular, this may be more problematic. In this context only the most prosperous, accessible, and well-connected urban regions are likely to have many of the elements for the successful bottom-up generation and implementation of a LED strategy already in place. A pure LED approach may prove less viable for smaller and/or more remote areas in many SSA countries. Their poorer endowments, smaller sizes, and less developed civil societies and institutions are likely to require that the governance-based part of the approach be complemented with alternative top-down policies aimed at addressing some of the shortcomings that would prevent LED strategies from working properly or at generating capacity building. The role of International Organisations in this process – as was the case of the Manica province in Mozambique (Box 2.8) – is likely to prove vital in order to initiate the process and to ensure the viability of the strategy in many intermediate areas city-regions in SSA. In some cases, however, rural regions may be so remote and lack the basic institutional and socio-economic pillars that LED strategies may not be suitable at all and pure pro-poor intervention or migration policies may represent the only viable solution.
Local Economic Development as an alternative approach to economic development in Sub-Saharan Africa, 2005.
Conclusion: LED as an alternative

SSA has its specificities, but its behaviour in terms of openness to trade, urbanization, decentralization, and regional disparities is more similar to that of other lower- and lower-middle-income countries in the world than many Africanists would want to believe. In recent years the joint forces of globalization and localization of economic activity have been dramatically changing the environment within which African development takes place. Increases in international trade and investment, the rising agglomeration and urbanization of economic activity, the rapid growth of cities, growing decentralization of government across the Continent, as well as poor records of macro-economic practices, have challenged the African nation-state’s ability to manage the national economy. This vacuum has been, in part, filled by international organizations. But the importance of localities and city-regions across SSA as actors in economic development is on the rise.

Similar conditions elsewhere in the world have allowed for LED strategies to flourish. In SSA a tradition of designing and implementing 'exceptional' policies for what was conceived to be an ‘exceptional’ case, together with an emphasis on pro-poor local or community development packages have prevented a similar LED boom. Development policies in SSA have thus been generally at the two ends of the spectrum: either a combination of macro-economic stability packages with supply-side sectoral measures applied throughout the Continent with little regard for specific local conditions, or piece-meal development projects aimed at guaranteeing the survival of individuals often in extremely precarious conditions. These development strategies have also been applied at two very different geographical scales: the nation, in the case of the macro-packages, and

---

the neighbourhood, village, or community for project-based actions. The goals have also been different: economic growth, in the case of the former, social goals, for the latter. In between these two extremes, LED, with its combination of economic and social objectives, its territorial, governance, integrated, and sustainable dimension, has found it difficult to surface².

This report has looked at why this has been the case and has explored the potential of LED as an alternative and/or complementary approach to economic development in SSA. The report has shown that, despite claims of exceptionalism, SSA shares with other low- and middle-income countries many of the conditions under which LED strategies have emerged. However, as urbanization and decentralization trends show, these processes have been uneven and it is important not to generalize them for the region as a whole.

SSA is only really an outlier in terms of economic growth and poverty reduction; while many other developing countries have been able to reap the opportunities globalization and localization have to offer, most Sub-Saharan African countries have experienced exceptionally slow economic growth and poverty reduction rates. On top of this, much of the new economic activity has taken place in the informal sector.

Taking into account these factors, LED can indeed be a complement, if not an alternative, to existing development strategies in the Sub-Saharan African context. The potential benefits of the approach, such as stronger participation of local residents and

² Many of the objectives and values of LED are also claimed for the other development approaches too. For example, the Agenda 21 planning processes popularized in the 1990s also valued integrated, participatory, inclusive, locally-focused dialogues and strategic visions, albeit more focused on issues of the local environment rather than on the local economy.
stakeholders, the formulation of more balanced development strategies, and greater emphasis on the sustainability of development, offer a potential relatively new way for tackling some of the main problems faced by SSA’s urban centres and city-regions. However, the generally difficult development environment local and regional governments face, combined with the lack of funding and government capacity, both in terms of skills and infrastructure, is likely to limit the ability of sub-national institutions to develop and implement successful strategies, especially in those areas where capacity constraints are greatest. Poor resource endowments, poor accessibility, and relatively weak civil societies are likely to determine the viability of LED outside the wealthier and most prosperous areas of SSA. Many smaller urban areas and intermediate regions and city-regions in the Continent have some of the basic preconditions for LED already in place, but further capacity building is needed in order to guarantee success. Some external top-down support – an area in which International Organisations can play a crucial role – could help overcome these initial problems and initiate the whole process. Finally, the approach may not be relevant for the poorest and most remote parts of SSA, where the weakness of existing conditions does not provide the bases on which to build such development strategies.

Great care therefore needs to be taken when evaluating the local situation and likelihood of success before embarking on LED strategies. Evidence seems to suggest that International Organizations may have an important role to play in encouraging the emergence of a local, regional, and national environment which will enable successful LED processes. This involves not only governmental capacity-building and providing expert help to local and regional institutions, but also the encouragement of local organizations and civil society, as a way to empower and promote the representation of the interests of local stakeholders.
References


Durban Unicity Council (2001). Durban's Informal Economy Policy, Durban Unicity Council.


Helmsing, A. H. J. (2001a). Local Economic Development; New generations of actors, policies and instruments, paper delivered at the UNCDF-sponsored Cape Town Participatory Symposium on Decentralization and Local Governance in Africa.


---


77


Simone, A. (2002). *Principles and Realities of Urban Governance in Africa*. Nairobi, UN-HABITAT.


van Boekel, G. and M. van Logtestijn (2002). *Applying the comprehensive LED approach; The case of Mozambique*. Geneva, ILO


