

The Executive Summary of the Documentation of SDC Experiences with Local Economic Development (LED)

The objective of the mandate was documenting and analysing existing Local Economic Development (LED) experiences of the Swiss Agency for Development and Cooperation (SDC) and Swisscontact (SC) in order to develop a knowledge-base on in-house experiences. The consultants were asked to derive conclusions and recommendations to stimulate SDC/SC internal discussions on how to improve their LED efforts.

The exercise was in the form of a desk study based on documents like credit proposals, status reports, websites, etc. The final report is thus divided into two major parts (a) analysis, conclusions and recommendations, and (b) project profiles (as appendix 6). The later provides a description of the different projects identified while using a common template and thus allowing readers to compare projects and derive inspirations for their own LED efforts.

Criteria for Analysis and Selection of Cases

For the selection of cases, the analysis took into account to the following criteria: (a) project components, (or program options according to the World Bank classification in annex 5), and (b) a set of strategic components to be looked into:

- LED context and geographic focus
- assessment of the area done as a thorough analysis or rapid appraisal
- involvement of all relevant stakeholders of the area (public, private sector, civil society)
- holistic, integrated LED approach
- local ownership and sustainability
- monitoring and evaluation (essential for implementation)

Thirty projects were pre-selected by interacting with geographical desks. These were quickly scanned and 14 finally identified as LED projects. Due to time restrictions not all aspects mentioned above could be dealt with in depth during further analyses. However, out of the fourteen projects selected, three could be considered *strategically planned* and the remaining eleven *project led* or *pragmatic*.

Analysis and Results

Project components or program options - Three projects pursue *strategically planned* LED. DELTA in Kosovo, ECOLOC in West Africa and APODER in Peru (although the latter initially started with a *project led* approach).

Most projects of SDC and SC focus on the program options C1, 4, 8:

- Improving local business investment climate (C1)
- Investment in soft infrastructure (C4)
- Sector (and business cluster) development (C8)

less important are :

- Investment in hard strategic infrastructure (C2)
- Investment in sites and premises for business (C3)
- Encouraging local business growth (C5)
- Promoting inward investment (attracting outside enterprises) (C7)

not at all covered are:

- Encouraging new enterprise development (C6)
- Area targeting/regeneration strategies (C9)
- Integrating low income or hard-to-employ workers (C10)

LED context and geographic focus - All projects have a clear geographic focus for different reasons: However, it is rarely a functional economic space. The functional economic space incorporates urban and rural space and does not necessarily coincide with political or administrative boundaries. The perfect match thus does rarely exist. Only ECOLOC and DELTA try to take into account this territorial approach explicitly. Projects of SDC are chosen in regions determined by country program considerations, and the importance of LED efforts to make a difference are not self-explanatory. Projects by SC usually look for economic growth potential.

Assessment of the area through the project - A thorough assessment of the area through the project is the exception rather than the rule (ECOLOC, DELTA to a lesser extent). Information on local conditions and particularities is rather weak in spite of the fact that they are crucial to adapt methods to the context.

Involvement of all stakeholders – The lead agent in SDC projects is usually the local government authority (municipalities, associations of municipalities). SDC avoids setting up parallel structures. Other stakeholders are farmers, MSEs, NGOs with the formal private sector mostly being absent in SDCs projects. In contrast, Swisscontact sets up own project management units and sees the lead with the private sector.

Holistic, integrated approaches - This is pursued in certain instances by SDC (DELTA, ECOLOC, APODER in particular together with other Peru projects) but not yet by Swisscontact.

Local ownership and sustainability - Local ownership in SDC projects is usually with local government authorities, the involvement of other stakeholders reinforces both ownership and sustainability. SC project management units do not systematically involve local authorities.

Monitoring and Evaluation - Information on Monitoring and Evaluation indicators in SDC projects was difficult to obtain, the systems concentrate on economic parameters and are not standardized. SC has a more unified approach that allows for comparisons due to standardized logframes applied in all the projects.

Main Recommendations

1. Success of LED interventions depends of course on the context. A critical analysis of the context and the stakeholders should therefore always be the first step before engaging in LED. Donor support in the assessment phase and clear guidelines concerning eligibility for support of local stakeholders are required. Strong partners of all three main segments of the economy (public/private/civil society) are needed. For SDC and SC to make a difference with their limited resources, these points are crucial. A first list of elements for context assessment can be derived out of this study.

2. The local and national states are normally not direct sources of employment and income. Employment and income are mainly generated by the private sector. LED *without* the private sector is simply *not feasible*. A sustained integration of private sector actors in LED processes will create more employment and income gains.
3. The private sector needs an enabling environment to thrive and create employment and income opportunities. The improvement of the business environment is mainly the responsibility of the state. A sustained integration of governance aspects and interaction with the local government authorities will ensure better private sector development objectives.
4. Which method to choose - *strategically planned* or *pragmatic* LED? From a theoretical point of view *strategically planned* LED is the best solution. It responds to the real needs in development, by putting the local actors in the driver's seat and leaving to donors or implementing agencies a role of facilitator rather than interventionist. However, experience shows that some contexts may not be ripe for *strategically planned* LED and need some institution and trust building first (or at least in parallel). In some other contexts, participative planning processes will encounter time and capacity restrictions. Finalizing a comprehensive plan may sometimes take too much time and effort. Implementing action plans needs even more of these. SDC should elaborate some standardized LED approach blending a thorough enough planning combined with some quick results to keep the motivation of all stakeholders alive. First encouraging experiences that go in that sense are emerging (examples from ECOLOC and APODER) and are full of lessons to be learned to capitalise for the future.
5. Clear definition of objectives is the first step to build up a monitoring and evaluation system. Synergies may be encouraged by a standardized system (comparison, cross-fertilization between projects, etc.). This is particularly important as monitoring is crucial for implementation of action plans and ensuring results. A monitoring and evaluation system should be part of any LED approach. Planning documents analysed provide little or no information on methods and standards applied.