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# How to introduce LED as an approach to economic change in a country

Since it was established in 2003, Mesopartner has been involved in work related to Local Economic Development (LED). This started with facilitating LED processes and developing tools and techniques to make LED more efficient and effective. Mesopartner quickly advanced to evaluating LED projects and approaches as well as designing LED components or entire LED programmes. Between 2016 and 2018, we were involved in designing

two different LED programmes in Bangladesh and Nepal. These two countries are currently going through a decentralisation and federalisation process respectively, which makes an LED programme design particularly challenging – and interesting. In both cases, it is the aim of the LED programme to establish LED as an approach to economic planning and development of the countries as a whole. In this article we introduce the main elements of

these LED programmes, which can be used as templates to design other similar programmes.

The starting point of any LED programme design is to ask questions about who we are and what we want to achieve. An LED programme is typically initiated by a national or international development organisation or a donor that pursues certain interests, such as fostering inclusive economic growth, poverty alleviation and employment creation, nurturing entrepreneurship, targeting structural imbalances in a country or simply trying a different approach to achieving one or a few of the above objectives. This organisation might apply certain principles and already have experience and networks at regional and national levels in the given country. It has a certain amount of resources available to implement the

programme. It wishes to see results quite quickly or it might have the patience to observe a local change process emerging over a longer period of time. Such varying starting points need to be discussed and decided early on, as they are essential for the design process of an LED programme.

LED adheres to a variety of key principles that define its DNA, which need to be considered for an LED programme design:

- LED is based on participatory planning and implementation of pragmatic activities, which presupposes the continuous design and testing of short- and longer-term development interventions at local level.





- LED is primarily a bottom-up approach, which is not only delivered but also designed and owned at the local level.

It is based on pragmatic collaboration between the public and private sector actors. LED process facilitation is considered to be effective when it can create and mobilise local knowledge.

- At the same time, establishing LED as an approach to economic change in a country requires an LED programme to pursue a multi-level approach, in which the national level (and sometimes even a supra-national level such as the European Union) needs to play an enabling and upscaling role.
- LED should take into account how interventions at a given level of Systemic Competitiveness trigger change at other levels. A profound LED initiative should address all four levels of systemic competitiveness (meta, macro, meso and micro levels)

either directly or indirectly (see Article 1 in the 2017 Annual Reflection: Meso level, meso space and the relation to territories.)

- LED is opportunity and market driven, and the business sector has to play a key role in formulating, implementing and evaluating LED activities. LED favours demand-oriented solutions to remedy shortcomings at the local level. Using existing structures for LED should be favoured over building additional, parallel structures.
- Public-private dialogue (PPD) is a core element of sustainable LED. An LED programme needs to establish an effective PPD culture that enables public and private actors to find some sort of alignment on priorities and strategies.

An LED programme should ideally have two institutional entry points, one at the local level in target locations, and one at the national level. On the local level, programmes might start with a few pilot locations to gain experience in implementing LED in the country. Later the number of locations can be expanded and potentially cover the whole country. Entering at both local and national levels at the same time is important if LED is to be taken seriously as an economic development approach and included in discussions on national priorities and strategies. A national-level entry point can also facilitate the adjustment of legal and regulatory framework conditions at different administrative levels if needed. Both local and national organisations need to be selected carefully by using a combination of specific selection criteria as well as local knowledge and experience. At the local level, independent decision-making power, organisational competence and reputation are key criteria. At the

national level, interest in strengthening local governance and decentralisation plus the ability to reach out to the local level are crucial. Being able to coordinate between different line ministries is also an asset for a national-level partner.

An LED programme should be designed in such a way as to enable an organically evolving learning process – both at the local as well as at the national level.

The first LED analysis in a location generates several ideas and proposals for quickly implementable LED activities. As the implementation of these activities

creates confidence, motivation and trust among, and skills of, the local stakeholders, the LED process can move towards more complex and ambitious activities. As the exact route this learning journey takes cannot be foreseen, facilitating LED processes must take an incremental approach and allow the details of the process to emerge over time. Given the complexity of the LED

process and its interrelatedness with the development of the local economy, a change at one point might be the trigger to a whole lot of other changes, which cannot be completely foreseen.

LED should draw on a toolkit consisting of a variety of sensitisation, analytical, planning, learning, monitoring, evaluation and strategy tools. An early task of an LED programme is the identification of suitable participatory tools and instruments and finding and/or training experts who are able to introduce them in the programme context. In the medium term, a capacity



development strategy of an LED programme will expand the number of initially available national LED practitioners to a larger expert pool of local LED facilitators. The LED programme design should entail the curation of LED knowledge, experience and expertise, which includes the documentation and codification of the emerging LED practice in the country.

This contains the continuous expansion of the LED toolkit but also the production of other

knowledge products, the management of the pool of LED experts, and awareness building at various government levels. All these elements are crucial preconditions for enabling LED processes across a country.

How are the above ingredients of an LED programme combined in practice? This strongly depends on the initial situation and the priorities of the development organisations and national counterparts involved (see also Article 1: Developing a locational policy that fits the context). For instance, the LED project that we designed in Bangladesh is structured into four intervention areas: building LED capabilities, piloting LED processes, policy and advocacy on LED, and curating LED knowledge. A new LED project in Nepal will probably comprise four components: participatory analysis of local economies; public-private-cooperative dialogue at local, provincial and national levels; enterprise development in selected value chains (transecting the pilot locations); and adaptation of the regulatory framework conditions to the new federal structures in Nepal.





Whatever the initial design, there is no guarantee that an LED programme will ultimately be successful. Experience has shown that the success of LED depends on a variety of factors. First and foremost, there must be interest and motivation of public, private and other relevant stakeholders involved to improve local economic conditions and performance. Furthermore, relevant stakeholders need to have the capacity to act, i.e. the ability and autonomy to make decisions, to access the necessary resources and to connect functional economic areas across administrative borders. Competence and delivery structures of key actors to steer and sustain an LED process is another vital precondition to make the LED approach work. In Bangladesh, decentralisation constitutes an important element of the current five-year plan of the government. Economic development is newly introduced to the mission of local government institutions, and efforts are made to build a stronger local meso level and increase local revenue generation. Whether these measures will bring along sufficient improvements of conditions for LED needs to be seen.

At the same time, the governance structures of Nepal are undergoing a thorough change. The current decentralisation and federalisation processes in Nepal have been triggered by the country's new constitution promulgated in 2015. Regions have been replaced by newly defined provinces, and municipalities have received extensive decision-making powers. So far it is not clear how far not only power, but also financial resources, will be devolved to the municipal level. It will take two to three years for the new governance structures to fully take shape.

Both examples of Bangladesh and Nepal demonstrate that an LED programme implemented during an ongoing structural change process needs to be particularly flexible in design and highly adaptive – not only during the inception phase but throughout the entire programme life.

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