

local economic development

“We hope to reside in cities that are resilient. Are sustainable. And above all, livable. We deserve, and with the right choices, can have all three.”

David Maddox, Founder & Editor, The Nature of Cities

FUELING THE DEBATE

- What can national governments do to empower local governments with clear mandates to lead and coordinate LED in their communities?
- What can local governments do to enhance the financial resources available for LED in their communities?
- What are examples of best practices in capacity development for LED?
- How can local authorities use LED methods and resources to improve conditions for marginalized groups working in the informal sector?

CURRENT CONTEXT

Rapidly growing cities are major centres of economic growth. Urbanization creates new opportunities and promotes the densification of economic activities; cities generate around 70% of global GDP. Nevertheless, in many cities in low-income countries, the informal sector and small enterprises provide the bulk of the jobs available to the urban poor.

Urban economic policy should be focused on strengthening the capacity of cities to realize their full potential as drivers of economic development, wealth and employment creation. Special emphasis should be put on boosting local economic policies and on ensuring decent urban jobs and livelihoods, in particular for women, youth and marginalized people.

— *Local economic development (LED) is needed to help cities manage their daily challenges* —



impact of global crises and changing urban economies



need for investments in infrastructures to create jobs



promote innovation, build attractive and competitive cities



industrial production concentrating in low-income countries



increase of unemployment, income inequality and economic exclusion



young people lack employment opportunities



gender inequality persists, with women facing barriers to education and unequal wages



the informal sector is the main source of urban employment in low-income countries

THE ROLE OF LOCAL GOVERNMENTS

Local governments need to adopt proactive roles to foster local economic development (LED). Definitions of LED policies vary, but all have these common elements:

Promote participation



Partnerships between local governments, the private sector, other public sector bodies, and civil society to develop local economic policies and initiatives.

Integrated strategy



Integrate efforts across sectors to meet community goals, such as better quality jobs, poverty reduction, environmental sustainability, and the inclusion of marginalized groups.

Leadership and coordination



Local governments provide leadership and coordination in the planning and implementation of economic initiatives, either directly or through delegation to community-based organizations.

Long-term approach



Aim at developing inclusive, resilient communities, not just economic growth. It takes time to build local capacities and include marginalized groups.

MAIN CHALLENGES

Lack of decentralization framework: there is no clear national framework for the decentralization to local governments of legal and fiscal authority for economic development. Local governments require clarity as to their mandate, roles, and responsibilities for LED.

Insufficient financial resources: local governments need access to sufficient financial resources to fulfill their mandates. In low-income countries, most local governments are underfunded; their tax base is small and the resources transferred are inadequate.

Strengthen local capacities in planning, coordination, revenue generation, and the creation of economic development structures, programs, and services involving community partners.

KEY OPPORTUNITIES

Enabling local governments

With sound LED policy frameworks at the national level, local governments will be positioned to play a strong leadership role in building inclusive and sustainable cities.

Enhancing peer-to-peer learning

Local governments can use LED methods and resources to improve conditions for young people, women and marginalized groups in the informal sector.

Using LED as inclusive framework

Promoting knowledge transfer among local governments, including South-South and triangular cooperation for sharing and learning about effective methods of LED.

In summary, local governments need formal recognition of their role as leaders of economic development in their communities as they play a key role shaping local economies, both in terms of creating an enabling environment and acting as a catalyst for development.