



# Addressing Poverty Through Local Economic Development

Junior Davis

[j.davis@gre.ac.uk](mailto:j.davis@gre.ac.uk)

Natural Resources Institute

DSA Conference, September 2005



Natural  
Resources  
Institute

# Purpose

- **The purpose of our work is to develop and share policies that support, guide and evaluate 'pro-poor' rural and local economic development within and between developing and transition economies.**
- **Local economic and enterprise development has to overcome multiple institutional and government obstacles at the macro, meso and micro levels.**
- **We aim to guide the development community and national institutions in their support to pro-poor local economic and enterprise development.**

# What is Local Economic Development?

- **Local economic development is about local people working together to achieve sustainable economic growth that brings economic benefits and quality of life improvements for all in the community. “Community” is here defined as a city, town, metropolitan area, or sub national region (World Bank, 2004).**
- **Addressing poverty through local economic development means understanding:**
  - **Agricultural and non-agricultural linkages for job creation and growth**
  - **National and sub-national structures, governance and institutions**
  - **Extensive trade networks inter-connecting distinctive local economies both rural and urban**

# NRI's Role in Taking this Agenda Forward

- **In pursuit of this, much of our work has focused on:**
  - The rural non-farm economy
  - The design, testing and implementation of a pilot of the Rural Economic and Enterprise Development (REED) framework in Bangladesh and South Africa
  - The provision of guidance on pro-poor public policy and institutional support at local and national government levels on local economic, territorial and enterprise development and growth
  - The development of enhanced mechanisms for integrating action research results into relevant policy processes



# Rural Non-Farm Economy

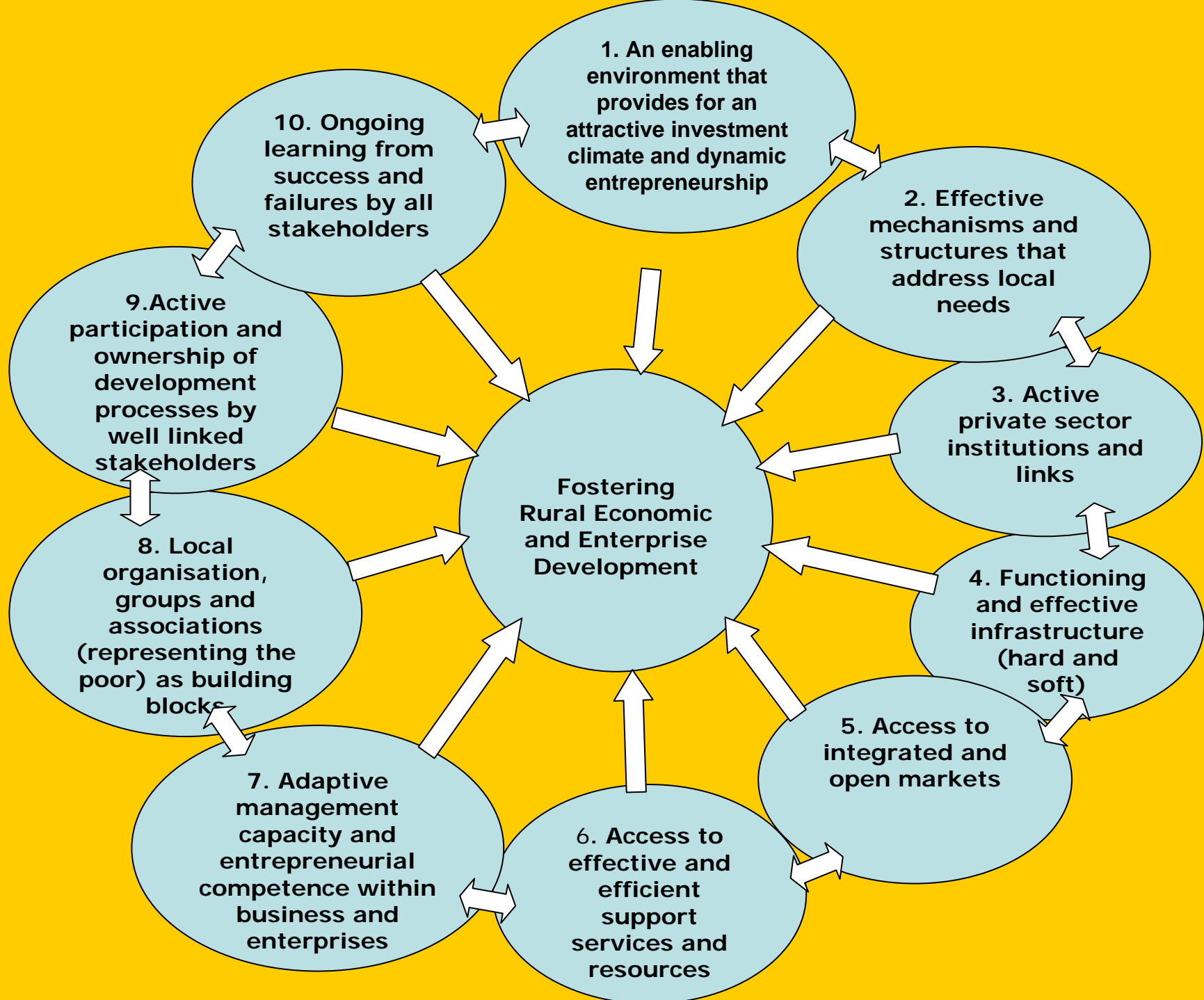
- **NRI has done this through its work on the rural non-farm economy (RNFE) in developing and transition economies (DFID and World Bank).**
- **NRI worked with a range of stakeholders involved in policy-making processes and rural non-farm development programmes (especially government and donors) aimed at creating an environment that is conducive to diversification and enabling rural households to access non-farm employment and income opportunities (uptake through national programmes, PRSPs, donor activities).**

# Recent Local Economic Development Related Activities

- More recently, NRI has built upon the RNFE work to consider more broadly the institutional, spatial (e.g. the role played by extensive and established local economy clusters) and socio-economic processes which underpin pro-poor rural economic and enterprise development interventions and policies.
- Hence our new research funded through the DFID Policy Oriented Research Programme focuses on Rural Economic and Enterprise Development (REED).

# The Rural Economic and Enterprise Development Framework

- The REED framework is based on the analysis of successes and experiences of programmes and projects by an international group of practitioners from different professional backgrounds including key donors, NGOs, LDC private sector and government representatives.
- It is an example of a holistic and spatial approach to local, rural and urban development.





# The REED Framework cont'd....

- The REED framework, consists of ten cornerstones for intervention. These are clusters of successful elements of intervention approaches dealing with REED. The cornerstones can be broadly classified into four categories:
  - Policies and institutional framework,
  - Infrastructure, services and markets,
  - Entrepreneurial competence, and
  - Stakeholder involvement and linkages

# Mapping programme interventions against REED framework

<i>Active cornerstones</i>	<i>Opportunities</i>
Active private sector institutions (3)	Active participation in REED (9)
Functioning & effective infrastructure (4)	Local organisations as building blocks (8)
Entrepreneurial competence (7)	Adequate mechanisms and structures that address local needs (2)



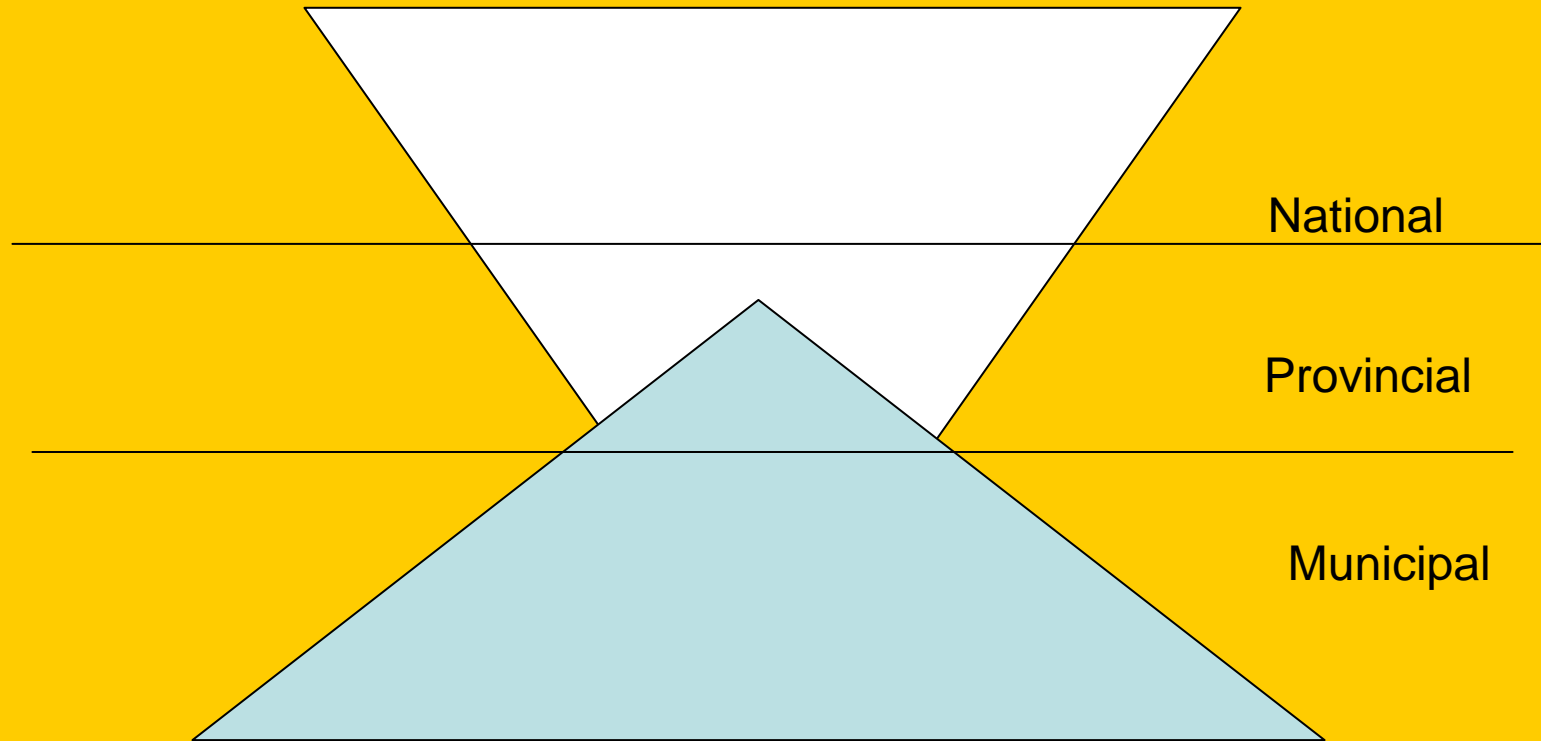
# How are we pilot-testing the REED framework?

<i>Collaborators</i>	<i>Activity</i>
University of Free State, CDS	Evaluate South African LED policy against REED framework
University of Free State, Urban & Regional Planning	Phillipolis, Springfield, TROMSBURG Evaluation of Income Generation Opportunities for black townships. Develop LED plan for each township
Dept for Local Government & Housing, Bloemfontein	Review IDPs against REED framework. Utilise REED as staff training tool
GTZ & Mpumalunga Provincial Government (Office of Premier)	Assess REED programmes against framework



# LED and inter-governmental alignment

**Bulk of levers and resources required from above**



**Bulk of effort & drive from below**

# Emerging lessons for pro-poor LED in South Africa I

## ■ Impacts on growth

- LED is relatively new & impacts are not clearly understood or monitored
- Municipalities rarely collect data on LED impacts
- Staff resources are limited, who focus primarily on policy \* implementation (regional LED units)
- Some evidence of growth in Bloemfontein but difficult to assign LED-related effects

# Emerging lessons for pro-poor LED in South Africa II

- **Some municipalities have poverty targets:**
  - Bloemfontein aims to reduce poverty by 35%
  - Appears to be some growth in short-term job creation
  - The challenge however, is to create more permanent jobs
  - Although IDPs now have a pro-poor focus, there is a lack of clarity on where economic growth will not address poverty

# Emerging lessons for pro-poor LED in South Africa III

- **Most pro-poor LED interventions include:**
  - Improving the business climate
  - Grants/rebates to attract inward development
  - Investment in infrastructure
  - SME support
  - Sectoral development
  - Informal sector support
  - Special employment & development zones
  - Area marketing

# Emerging lessons for pro-poor LED in South Africa IV

- **LED responses are characterised by:**
  - Search for new opportunities (e.g. call centres); but are mainly limited in terms of LED range
  - Poverty relief/public works programmes
  - SME and tourism development



# Emerging lessons for pro-poor LED in South Africa V

- **National government needs to effectively evaluate:**
  - **Black Economic Empowerment Programme**
  - **Training packages for micro and SME entrepreneurs**
  - **BDS provision to black entrepreneurs**
  - **Market access in contested markets for SMEs**
  - **Inter-departmental coordination of SME development initiatives**

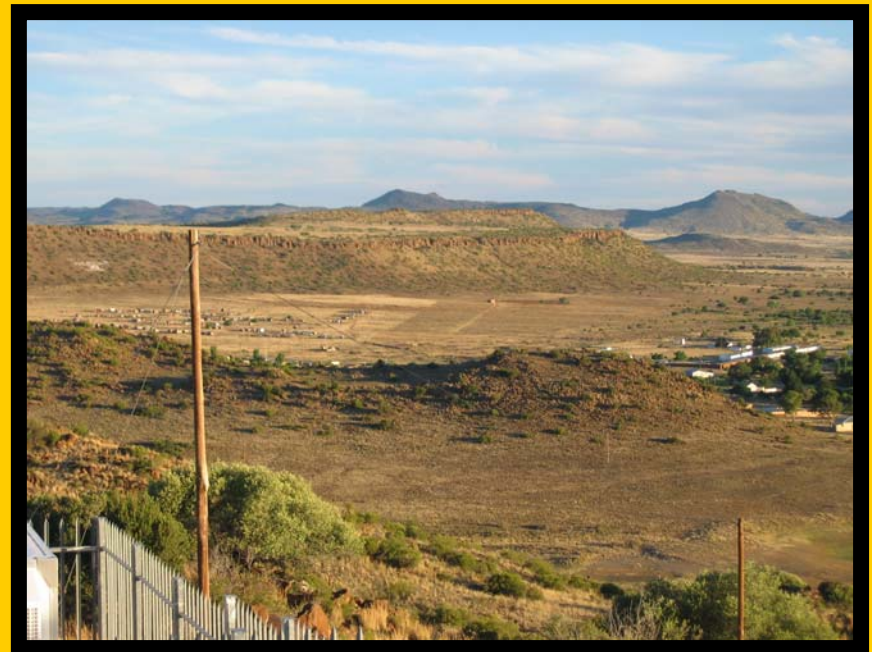
# Thank you for your attention!

**More information about our Local  
Economic Development work is  
available at The Natural Resources  
Institute website**

**<http://www.nri.org/projects/reed>**

**And for the Rural Non-Farm Economy**

**<http://www.nri.org/rnfe/papers.htm>**



**Natural  
Resources  
Institute**