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## **Rural development from a territorial perspective: lessons and potential in sub-Saharan Africa<sup>1</sup>**

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## **Abstract**

The paper analyzes the lessons and potential poverty impacts involved in the application of approaches for building socially inclusive, decentralized and spatially accented approaches to rural (and rural-urban) economic development in South Africa and other experiences making a preliminary assessment of the transferability of LED / RTD approaches to other countries in Sub-Saharan Africa such as Mozambique, Zambia and Ghana. In each case the role of the drivers of change, the rural-urban linkages and the livelihood strategies of rural households are emphasized and the kind of social networks and alliances are also considered

## **Summary**

Sub-Saharan Africa's (SSA) poverty reduction and economic growth strategies and programs concentrate on consolidating economic growth at the macro level, through increased investment and productivity of key sectors including agriculture and enhanced employment. Such strategies and programs do not set out clear mechanisms whereby prosperity can be generated at the sub-national level so as to create tangible and accessible pathways towards the realization of poverty goals, nor do they recognize the different contributions that agriculture has to make to poverty goals in diverse locations, settings and territories.

The application of territorial and local economic development (LED) approaches have been pioneered primarily in Latin America and in Europe where territorial factors have been shown to play a significant role in determining economic growth, and in the reduction of poverty and of inequality. Territorial determinants are responsible for the large and growing gaps between richer and poorer territories. Macro and sectoral policies are not sufficient to stimulate territorially-balanced growth, just as targeted or broad-based but horizontal social policies by themselves cannot deal with some of the important dimensions of poverty and social inequality. There is growing recognition that aggregate levels of economic growth must also be reflected by growth in the productivity of regional and local economies, through more territorial approaches which have more direct linkages with employment and with livelihood and asset building strategies of the poor. Although there is good evidence that the impact of economic growth on poverty is negatively affected by income inequalities (Ravallion 2004) and that asset inequalities depress economic growth as a whole (Birdsall and Londono 1997), there has been limited assessment of the potential poverty impacts of sub-national economic growth and the reduction of intra-regional disparities, and thereby the implications for local economic and territorial development.

Growth and equitable development cannot take place without an understanding of the territory and devising realistic sub-national strategies that can bring socially inclusive, sustainable economic development to poor and marginalized rural and urban areas of SSA. Given that SSA's economic development and reduction of poverty will depend largely on its natural resource assets, these and agricultural productivity and economic opportunity are highly variable across sub-regions.

Following a brief review of the international experience in the adoption of territorial approaches, an analysis of the lessons and potential poverty impacts derived through the application of approaches for building socially inclusive, decentralized and spatially accented approaches to rural (and rural-urban) economic development in South Africa and of early

local economic and territorial development experiences in selected countries in SSA, an assessment is made of the transferability of territorial and local economic development approaches to SSA.

The experiences in territorial and local economic development in SSA have been limited and fragmented. These experiences fall into three broad groups: urban centered Local Economic Development (LED) initiatives with focus on the investment climate and private sector development; cross sectoral planning initiatives notably in francophone west Africa and largely focused on spatial and infrastructure planning; and, negotiated frameworks addressing land and natural resources management and conflict mitigation.

Drawing on these experiences and the lessons from Latin America and the OECD countries, the following key experiences relevant to SSA are identified.

*Harmonization of national/federal and provisional/state level rural including agricultural development policies and strategies.* This includes the building up of sub-national capacity at intermediate regional and or provisional level to enable locally distinctive needs and opportunities to be met and to facilitate targeted public and private investment to meet these needs. A further challenge within the framework of territorial development and policy harmonization concerns cross-border cooperation (e.g. transport, market regulation, natural resource management).

*Building local economic and territorial development as drivers of change.* Sustained growth in productivity will only be achieved through building on household and community livelihoods and their asset building strategies at the territorial level including specifically understanding and responding to the local economic drivers and the linkages between rural and urban areas within a territory or sub-region. This requires effective spatial planning, supportive institutional arrangements, and targeted and aligned investments that support the required investment in infrastructure, services and market development, and entrepreneurial capacity building. Particular focus should be placed on: private sector investment including securing a positive territorial linkage from agricultural investments by bridging smallholder and private sector agriculture; facilitating access to land for investors that is also fairly negotiated with local communities and land users; securing a private sector role in technology innovation, input supply and market linkages, through e.g. contract farming and out-grower systems, so as to secure access to more demanding regional and global supply chains.

*Strengthening effective engagement with and by local government.* Building on the structures of local and municipal governments including strengthening inter-municipal agreement to offer a higher level of aggregation to define and meet territorial needs at the appropriate scale.

*Build effective linkages at the territorial level with the private sector and civil society.* The private sector (including farmer organizations) and civil society (including customary leaders) are essential actors within the planning and development process at the local and territorial levels.

Set within the above, there is a need to devise differential policies for the dynamic trajectories of higher and lower productivity territories with different combinations of development pathways according to their potential, centering on: (i) agricultural growth; (ii) off-farm income growth; and (iii) migration. This will involve:

*Encouraging diversification*, e.g. rural tourism, wildlife and natural resource management; investing in environmental services and new products which can be supplied by the poor: e.g. bio-fuels and carbon sequestration; recognizing and building on local level multiple livelihood strategies and recognizing the growing income share from non-agricultural (but often associated) activities including natural resource utilization and trade. Fostering greater entrepreneurship amongst the rural poor remains a priority.

*Policies to facilitate migration, and capture its benefits for marginal rural areas* by promoting the investment of remittances, and securing stable, but more subsistence oriented economies and stable communities for those left behind, frequently women, the young and the elderly, and developing the synergies between agriculture and social assistance programs or cash transfers.

*Developing frameworks for resource management in competed and contested marginal areas* regulating access to and allocation of grazing, water and forest resources, and establishing a shared basis for the development of and investment in the territory (for instance through Local Conventions for pastoralist areas, and post conflict territorial agreements, etc)

*Strengthening rural producer organizations and collective action* ensuring that social capital and organization is commensurate with the demands and opportunities. The weakness of civil society and tendency to be dominated by urban elites and co-opted by political parties, state and traditional rulers e.g. in defense of narrow ethnic identities, undermines voice and bargaining power of the poor vis-à-vis state and private sector especially in the marginalized areas of SSA.

Territorial and local economic development in SSA requires therefore a spatially accented but holistic approach, focusing on distinctive problems, and potentials of specific areas; locating agricultural development within a territorial context; a decentralized approach to economic development linking sectoral policy and investment to locally specific measures, and securing integration within wider regional economic networks; and ensuring mechanisms for deepening and broadening participation including building durable social capital.

# **1 Introduction: the need for a territorial approach to rural development in sub-Saharan Africa**

## ***1.1 The challenge***

The Millennium Development Goals (MDGs) focus on bringing about poverty reduction through boosting aggregate economic growth, measured through impacts on priority social indicators including improvements in income levels, educational levels, and mother and child health, and reductions in morbidity and mortality.<sup>3</sup> In line with this focus sub-Saharan Africa's poverty reduction strategies (PRS), programs and economic development strategies concentrate on consolidating economic growth at the macro level, through increased investment, productivity of key sectors and employment. Africa's growth will depend particularly on agriculture, especially in rural areas. Agricultural productivity and potential is highly variable within countries, as a result of a combination of natural factors and locational factors determining crop suitability and the accessibility of markets. These factors, together with rapid urbanization and expansion of economic activity focused principally on coastal areas contribute to rising regional inequalities and to geographically uneven prospects for poverty reduction. However, the primary responses to Africa's circumstances of extreme poverty and vulnerability, conflict, poor governance, climatic, and agro-ecological and demographic stress, have been recurrent humanitarian assistance, income transfers, and welfare / social protection measures. Africa's PRS programs do not set out clear mechanisms whereby prosperity can be generated at the sub-national level, in which the poor can participate directly so as to create tangible accessible pathways to the realization of poverty goals, and the different contributions that agriculture has to make to that in many places.

The challenge consists in breaking out of this cycle and devising realistic strategies to bring socially inclusive, sustainable economic development to poor and marginalized rural areas of sub-Saharan Africa. In addition to improved governance and trading environments, and social investments at national scale, territorial development perspectives are key avenues for shifting development intervention from a reactive mode towards strengthening sustainable development. This requires:

- a spatially accented but holistic approach, focusing on distinctive problems, and potentials of specific areas
- locating agricultural development within a territorial context
- a decentralized approach to economic development linking sectoral to locally specific measures, and securing integration within wider regional economic networks
- mechanisms for deepening and broadening participation, and building durable social capital so as to ensure social and territorial inclusion in economic development

Poor people's livelihood strategies include income and self-provisioning through agriculture, plus migration, remittances, urban employment, local wage labor opportunities or self-employment in trade, agro-processing, and in the informal service sectors. As a result better understanding is required of the dynamic linkages and flows of goods, resources, finance, information and labor between rural and urban areas, and within and across specific territories or sub-regions. This paper offers insights into different policy entry points (at village, town or territorial level) with potential to promote a more spatially accented rural and urban economic development. Areas of focus include policy and regulatory reforms,

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<sup>3</sup> See [http://www.uneca.org/cfm/2006/docs/Progress\\_MDGs.htm](http://www.uneca.org/cfm/2006/docs/Progress_MDGs.htm) for more information.

institutional models for cost-effective provision of business development services, strategies to improve the income and employment potential of diverse economic activities through improved market links, spatial priorities for economic and social infrastructure, the role of civil society and social movements in improved territorial planning and the needs for reconfiguration of local and central governmental planning to reflect rural-urban and sub-regional dynamics. This paper analyzes the lessons and potential poverty impacts involved in the application of approaches for building socially inclusive, decentralized and spatially accented approaches to rural (and rural-urban) economic development in South Africa and other experiences making a preliminary assessment of the transferability of local economic development (LED) and rural territorial development (RTD) approaches to other countries in sub-Saharan Africa.

## ***1.2 Perspectives on local economic and territorial development***

### *1.2.1 The emergence of the territorial development paradigm for rural development*

Rural Territorial Development (RTD) perspectives, pioneered in Latin America and southern Europe, is an evolving and innovative approach to rural development and poverty reduction. RTD initiatives are based around the existence and encouragement of shared territorial identity amongst different stakeholders and social groupings living within specific but not necessarily precisely bounded geographical areas. They focus on strengthening local economies through fostering dynamic market development by drawing on the comparative advantages, wider linkages, and distinctive productive, historical, cultural and environmental features of regions, through socially inclusive and participatory planning strategies. These strategies involve civil society, private and public stakeholders, stressing the importance of civil society participation in building productive and market opportunities for the poor across urban and rural space, according to the features and opportunities that different territories present (Schejtmann and Berdegue. 2002, Abramovay 2002, Sepulveda 2003, Abramovay and Beduschi Filho 2004, Cleary 2003, Groppo 2004).

In practice, to achieve impacts on poverty and create economic opportunity for the poor across deprived areas beyond the local scale, new institutional arrangements may be needed to overcome the predominantly parochial and sectoral interests which often characterize municipal and national government (Schejtmann and Berdegue, 2003). RTD seeks to refocus institutional frameworks for rural development by promoting collaboration between different sectors and levels of government across geographic units of local government, together with new participatory territorial fora for development planning and implementation. These may include in addition to the public sector, organizations such as rural unions, social movements, churches, NGOs and indigenous social institutions as well as private sector producers and trade organizations, all of which can potentially play a driving role in strengthening economic development, market integration, cultural identity and social inclusion beyond the micro – local scale.

RTD perspectives have developed in part from more established and widely practiced Local Economic Development (LED) approaches, to provide a broader focus on rural areas, together with urban settlements, markets and industrialized zones (LEADER, 2001). Although LED as a concept dates back to the 1960s and 1970s, it was not until the late 1990s that an emphasis upon enterprise development, improving infrastructure, building local partnerships and generally promoting an inclusive and dynamic framework became a dominant strategy. LED is about local people working together to achieve sustainable

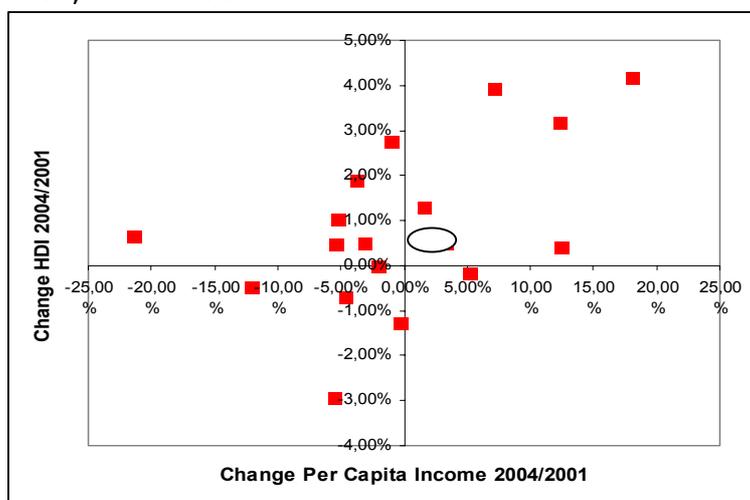
economic growth that brings economic benefits and quality of life improvements for all in the community. “Community” is here defined as a city, town, metropolitan area, or sub national region (World Bank, 2004).

RTD approaches have also assimilated, and implicitly include many of the principles, insights and developments of the Livelihoods Approach (Carney et. al., 2002), notably the centrality of capital assets – most importantly the mutually reinforcing roles of social capital and productive assets in shaping livelihood and market opportunities – and the fact that rural people’s livelihood strategies are complex, and frequently to a large extent non-agricultural in nature (Sepulveda 2003). By placing localized development in a dynamic wider market and policy / institutional context, RTD is both people-centered and area-focused. It offers a means, encapsulated in the notion of territories (considered as geographic or economic regions with a shared cultural identity and therefore some actual or potential collective development subject) to stimulate responsive and participatory planning, and to build an enabling institutional environment in which livelihoods can prosper and poverty can be reduced. Successful territorial development programmes enhance the space for dialogue, negotiation, consensus building and conflict reduction amongst stakeholders, including strengthening the voice of the poor, and reconfiguring institutional arrangements to link bottom-up and top-down planning processes.

In the context of growing decentralization and efforts to build the capacity of local government, territorial analysis has found that existing administrative units of local government are frequently too small and localized to support effectively socially inclusive development and thriving market opportunity. Further, in Latin American countries in particular, a plethora of micro-municipalities - often configured around historical patterns of land ownership and political power, has enabled the capture of public development funding by local political elites, often closely associated with established remnant aristocracies and dominant business figures. Decentralization in Latin America, where successful, has to a degree enabled municipalities to direct social expenditure based on stronger local information and accountability; however the creation of new sustainable economic opportunities requires an approach based on larger territorial units and the inclusion of rural towns and secondary cities in strategic planning (de Janvry, 2003). Accordingly, RTD has involved fostering links between established municipal development councils, and the promotion of the role of cross-municipal consortia including civil society and business networks, rural unions and social movements based on wider constituencies.

Territorial factors have been shown to play a significant role in determining economic growth, poverty and inequality. Macro and sectoral policies are not sufficient to stimulate territorially-balanced growth, just as targeted or broad-based but horizontal social policies by themselves cannot deal with some of the important dimensions of poverty and inequality. There is a need for rural territorial development policies to improve the performance of developing countries both in terms of sustained growth and social inclusiveness (Schejtman and Berdegúé, 2006). These territorial determinants are responsible for large and growing gaps between rich and poor rural territories. Schejtman and Berdegúé (2006) show in the case of Honduras that the overall national-level dynamics of economic growth and social inclusion or wellbeing, do not fully account for the dynamics of development at the scale of specific territories (see fig 1 below).

Figure 1. Honduran Departments. Changes in per capita income and in Human Development Index, 2001-2004.



Source: UNDP. Índice de Desarrollo Humano según Municipio, 2004. The national average is circled near the origin of the graph.

Source: Schejtman and Berdegué, 2006

### 1.2.2 Territorial development and agriculture in SSA

Africa's growth depends on agriculture especially in rural areas but productivity and economic opportunity are highly variable across sub-national regions, accounted for by agro-ecological, infrastructural and historical factors. Although globalization presents some new opportunities, their reliance on access to capital and to increasingly globalized markets means that these are likely to be captured by larger scale private enterprise with strong vertical integration into supply chains.

The experience of Latin America illustrates how despite dynamic markets, and relatively high public investment in infrastructure and research and development (R&D), the development of a competitive smallholder sector and growth of employment in agriculture, and the impacts in terms of broader prosperity of local economies are relatively limited. As new agricultural opportunities emerge in Africa resulting from investment in the sector, and gradual improvements in the global trading environment, these kinds of approaches are likely to become increasingly important to secure pro-poor agricultural growth. In this regard, we have identified a number of specific opportunities in Africa with reference to concrete examples (positive and negative) from the case study countries reviewed in this paper. Interventions need to be set within a territorial context, with market linkages both within and beyond the territory. These opportunities include:

- Strengthened coordination at local and national (and donor) levels to incorporate agriculture into a multi-sectoral agenda. Linking learning, education and human development of the younger generation to enhanced investment in rural areas through employment and business development opportunities.
- In addition to facilitating access to land for investors, ensure that access is fairly negotiated with local communities and land users, and integrated into the fabric of rural landholding and economic life (i.e. not enclave agriculture; “zones francas” where

investors bring in their own services and labor). This requires a strengthening of community rights

- Securing a private sector role in technology innovation, input supply and market linkages, through e.g. contract farming and out-grower systems, so as to secure access to more demanding global supply chains
- Fostering greater entrepreneurship amongst the rural poor, including off-farm activities, agri-processing, marketing and service sectors
- Promoting shared institutions for rural development with strong elements of “bridging” social capital in addition to strengthening local community capital
- Strengthening rural producer organizations and collective action: ensuring that social capital and organization is commensurate with the demands and opportunities (weakness of civil society and tendency to be dominated by urban elites and co-opted by political parties, state and traditional rulers e.g. in defense of narrow ethnic identities. This undermines voice and bargaining power of the poor vis-à-vis state and private sector especially in marginalized areas.

In addition, in seeking to overcome inter-regional and inter-territorial inequalities in sub-Saharan Africa, there is a need to devise differential policies for the dynamic trajectories of higher and lower productivity areas with different combinations of development pathways according to their potential, centering on: (i) agricultural growth; (ii) off-farm income growth; and (iii) migration.

This will involve:

- Encouraging diversification, e.g. rural tourism, wildlife and natural resource management; investing in environmental services and new products which can be supplied by the poor: e.g. bio-fuels and carbon sequestration; recognizing and building on multiple livelihood strategies and growing income share from non-agric activities including natural resource utilization and trade.
- Policies to facilitate migration, and capture its benefits for marginal rural areas by promoting the investment of remittances, and securing stable, but more subsistence oriented economies and stable communities for those left behind, frequently women, the young and the elderly, and developing the synergies between agriculture and social assistance programmes or cash transfers.
- Developing frameworks for resource management in competed and contested marginal areas regulating access to and allocation of grazing, water and forest resources, and establishing a shared basis for the development of and investment in the territory (for instance through Local Conventions for pastoralist areas, and post conflict territorial agreements, discussed in more detail below).

## **2 Local Economic and Territorial Development in sub-Saharan Africa**

### **2.1 Context for LED and RTD in SSA**

#### *2.1.1 Historical development patterns and drivers of rural territorial change*

The territorial strategies adopted by colonizing powers in sub-Saharan Africa have left a difficult legacy which still constrains rural development today. Through strategies of indirect rule, colonial governments formed alliances with traditional leaders who were granted

political authority over artificially created territories with ethnically defined social identities. The most extreme cases of these strategies, the creation of black homelands in South Africa, and of separate communal areas in neighboring countries involved the removal or displacement of people from their territories of origin and the alienation of large areas of the most productive agricultural land. While southern Africa faces particular territorial challenges concerning the geographical re-integration of the unequal dual economies which developed and the restoration of alienated land rights, African nations as a whole still need to resolve contradictions between traditional authorities and democratic forms of local government. In some cases there remains the need to overcome the continued domination of customary rural elites and particular social groups, in order to develop a coherent and equitable basis for sub-national development.

In addition, the colonial partition of Africa imposed artificial national boundaries cutting across indigenous territories and customary social and economic networks, creating a legacy of poor and marginalized border regions remote from national capitals and peripheral to economic development.

Post independence, rural development strategies have been dominated by the centralized nation state, involving infrastructural projects and top down sectoral investments in agriculture disconnected from the local fabric of social and economic life, alongside the centralized control of natural resource revenues from forestry and mining, as well as wildlife management and tourism, which on the whole have failed to dynamize or significantly benefit local economies.

The failure to generate thriving local economies in rural regions contributes to rapid urbanization. The unplanned development of major cities and large towns draw increasingly on their hinterlands as suppliers of foodstuffs, the development of land, and the use of labor and energy supplies (generally though increasing off-take of woody biomass for charcoal production) in unsustainable ways, returning very little in the way of investment. The expanding peri-urban frontier is a site of particular crisis, characterized by land sales and speculation by traditional authorities and landowners, and the loss of agricultural livelihoods and natural resources.

These patterns of urbanization exacerbate growing inter-regional inequalities resulting from the differential impacts of globalization on remote rural areas often located in semi-arid interior regions, and urbanizing areas concentrated, notably in West Africa in higher rainfall coastal regions. These latter areas have easier access to more abundant productive natural resources, accentuating the need to adjust strategies for rural and sub-national development.

In this context, the search for a new generation of agricultural development projects through for example NEPAD / CAADP will need to develop agricultural investments which respond to expanding urban, regional and global markets in ways which are woven into the territorial and regional fabric of social and economic life of rural areas, through activities which create broad based local opportunities for smallholder farmers and arrest the unsustainable drain of resources from the areas surrounding expanding towns.

## 2.2 *Agricultural development and regional economic cooperation in SSA*

Agriculture provides the main element of livelihood to around three-quarters of the sub-Saharan African (SSA) poor. It accounts for 37 percent of GDP<sup>4</sup> in SSA although its relative contribution is declining. But growing local, regional and global consumer demand is providing new rural opportunities. The rural poor in SSA, including those with no land<sup>5</sup>, typically derive half of their household income from farming (Davis, 2004). Agricultural development can act as a springboard for poor people to further diversify their livelihoods. Opportunities open up in other rural enterprises and a dynamic agriculture continues to provide the backdrop to progressive urbanization. The rural ‘non-farm’ economy is providing more employment, household income security, alternatives to migration, and potential for reducing poverty and inequality<sup>6</sup>. Rapid agricultural growth, supported by the public infrastructure investments made to promote it, has provided a powerful motor for growth in rural non-farm economies. Where agriculture and public rural investment have been stagnant – as in resource poor areas of SSA – this has been much more limited.

Increasingly, African’s migrate or commute between rural and urban areas, for example as farmer for one half of the year and textile worker for the other. Moreover, urban people retain strong links with rural areas – giving up agriculture is seen as risky. Agriculture is a source of income to urban dwellers, as well as a beneficiary of transfers from urban areas. For example, urban dwellers return to the farmsteads during hard times, as is currently happening in Zimbabwe.

Yet, despite knowledge of both the sector's importance and the crisis it faces, agriculture continues to attract only limited public and private support. Consequently, all indicators show SSA falling well below other developing regions. For example, SSA has for a long time lagged behind in the proportion of arable land irrigated, value added per agricultural worker, levels of fertilizer use, and productivity growth for both crops and livestock. The consequences of these shortcomings, combined with overall economic failings, have been devastating<sup>7</sup>.

In SSA, people living on less than US\$1 per day were 242 millions in 1990/92 (38 percent of the population); by 2015, their number is expected to increase by 103 million (i.e. by 42 percent) which will represent nearly 33 percent of the population. In 1990/92 SSA accounted for about 20 percent of the developing world’s undernourished and 19 percent of those earning less than US\$1 /day. In 2015 these ratios are expected to reach 34 percent and 46 percent respectively. Moreover, in the period 1998-2000, more than a quarter of the population of SSA was chronically undernourished (202 million people). SSA has become the region most dependent on external food-aid: in 2000 it received 2.8 million tons of food aid, which is over a quarter of the world total.

Over the past 30 years, SSA’s agricultural imports have been increasing faster than exports, making the region a net agricultural importer since 1980. Annual agricultural imports now cost about US\$19 billion while exports earn only US\$14 billion, leaving a US\$5 billion annual trade deficit that diverts scarce foreign exchange away from investment to

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<sup>4</sup> Weighted by population based on data in *World Development Report, 2000*.

<sup>5</sup> Many rural (and urban) poor who do not own land are able to use common or public property, for example keeping dairy cows on roadsides, or goats around vegetable markets.

<sup>6</sup> See Lanjouw, 1998; Reardon et. al., 1998.

<sup>7</sup> See UN Food and Agriculture Report “The State of Food and Agriculture in Africa 2003”.

consumption. Furthermore, SSA's share of world agricultural exports has more than halved from 8 percent in 1971-1980 to only 3.4 percent in 1991-2000.<sup>8</sup> Thus, SSA's performance in trade (a potentially important way to earn income) has also been discouraging.

SSA is now the only region where the average food production per person has been declining during the past 40 years and where the numbers of undernourished as well as of the extremely poor are expected to continue increasing. Furthermore, whereas South Asia now has in absolute numbers more undernourished and poor than SSA, SSA will both in absolute and relative terms soon lead in these indicators. The SSA population has been rising at up to 3 percent annually or higher, the 1967 to 2000 annual agricultural growth rate of around 2 percent for SSA has meant worsening food supply, declining rural incomes and rising poverty. It may prove a challenge to maintain even this modest growth rate: HIV/AIDS mortality and infection rates of unprecedented levels are rapidly decimating SSA's labour force. SSA is also rapidly losing highly educated manpower to HIV/AIDS, leaving behind in agriculture mostly the too old, too young, and others with limited potential to adopt progressive technologies and production methods.

In many SSA countries' trade has also remained over-dependent on only one or two commodities and on unprocessed products, with the benefits of value addition being reaped at the destination. Indeed, with abrupt opening up to competing suppliers, it is common to see even the little industrial capacity SSA has established declining - in some countries, the agricultural sector appears to be de-industrializing on a major scale.

African Union (AU) frustration with the consequences of agricultural sector under-performance led to agriculture being the only economic sector included in the first set of NEPAD<sup>9</sup> programmes.<sup>10</sup> Without in any way implying that long-term policy and institutional changes are not needed, the "*Comprehensive Africa Agriculture Development Programme*" (CAADP) focuses on practical action under four mutually supportive pillars to induce rapid production increases: (a) extending the area under sustainable land management and reliable water control systems; (b) improving rural infrastructure and trade-related capacities for improved market access; (c) increasing food supply and reducing hunger. In addition it presents a long-term pillar (d) on agricultural research, technological dissemination and adoption. Furthermore, the CAADP pays attention to emergencies and disasters that require food and agricultural responses. Given SSA's diverse potentials, constraints and opportunities, the CAADP is to be implemented in a flexible fashion. However, these pillars are not embedded in a territorial approach or framework for economic development.

SSA governments need to ensure that the inadequacy of public funding for agriculture is tackled as an emergency: until the attention offered to the sector by SSA itself improves, famines and food shortages cannot cease and international support will only deepen

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<sup>8</sup> See UN Food and Agriculture Report "The State of Food and Agriculture in Africa 2003".

<sup>9</sup> The New Partnership for Africa's Development (NEPAD) is an economic development programme of the African Union. The NEPAD was adopted at the 37th session of the Assembly of Heads of State and Government in July 2001 in Lusaka, Zambia. NEPAD's concrete programs focus largely on agriculture, human resources development (especially in health, education, science and technology), infrastructure, market access and intra-African trade and preservation of the environment.

<sup>10</sup> The Steering Committee asked for an action programme on the sector and the secretariat worked with the UN Food and Agriculture Organization (henceforth, UN-FAO) to prepare the "*Comprehensive Africa Agriculture Development Programme*" (CAADP). The ministers focused on NEPAD and endorsed the CAADP, which responds directly to the situation outlined above.

dependency. Governments also need to so target public investment that it can make agricultural operations profitable and competitive.

### *2.2.1 Prospects for RTD driven small-scale farmer access to regional commodity markets*

Clearly, pro-poor rural territorial development policies need to raise farm incomes for small-scale farmers and increase rural employment. Securing and enlarging African small-scale farmers' access to local, regional and international markets to sell their agricultural products is one essential component for poverty reduction in rural areas<sup>11</sup>. There is a growing concentration in the African food supply base with large farmers and enterprises, and a resultant decrease in small-scale farmers' involvement. However, where some of these constraints are being addressed the role of public sector and support from international donors in infrastructure and capacity building, or diversification in non-farm activities through local economic and territorial development processes have played an important role (Davis, 2006). Regional economic cooperation on a territorial basis would address land-use planning, cross-border trade and some of the other market access problems listed below:

- Limited, non-integrated and unsuitable regional transport infrastructure (including roads, rail and air freight)
- Lack of credit which may restrict investments in key equipment and technology
- Lack of business development services (BDS) and extension service organizations; these are particularly important for small-scale farm enterprises
- Low productivity (e.g. access to land, poor agronomic practices, access to planting materials, lack of trained labor, low economies of scale)
- Lack of vertical co-ordination within dynamic market structures including exporters and agribusiness.

### *2.2.2 Intra-regional agri-food trade and development*

Regional integration mechanisms must be used effectively to promote early convergence among governments around selected priority opportunities of strategic importance for food security, for export development, regional economic growth through cooperation, and for SSA to achieve enough international significance as a producer, processor and trader to start influencing world prices, policy and practice. SSA governments also need to make practical their commitment to creating an enabling environment for private sector engagement in agriculture through reform of policies, strategies and institutions.

Despite various regional trade and economic community (REC) groupings<sup>12</sup> and their respective regional trade initiatives, inter-African trade remains a small proportion of total African trade. African economies maintain traditional roles of being exporters of primary goods to industrialized countries. Although progress has been made in trade liberalization, intra-REC trade is low at 10.5 percent but could be higher if informal trade is considered

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<sup>11</sup> Via Campesina is a network of around 100 major small-scale farmer organizations around the world which has focused on improving farmer access to markets in LDCs.

<sup>12</sup>Regional Economic Community (REC) grouping in SSA include: AMU: Arab Maghreb Union (5 members); CEMAC: Economic and Monetary Community of Central Africa (6); COMESA: Common Market for Eastern and Southern Africa (20); ECCAS: Economic Community of Central African States (11); ECOWAS: Economic Community of Western African States (15); SADC: Southern African Development Community (14); WAEMU: West African Economic and Monetary Union (8); EAC: East African Community; IGAD: Inter-Governmental Authority for Development; and SACU: Southern African Customs Union.

(UNECA, 2002)<sup>13</sup>. High levels of indebtedness, tariff (and non-tariff) barriers, weak infrastructure (including banking etc.) and a lack of foreign exchange has made it difficult for neighboring states to trade equally within a regional bloc. It has intensified the demand for foreign currency to enable countries to import from outside Africa. For example the obsession with “hard” currency has been extended to African countries and their fellow REC members to pay in foreign currency, thereby forcing most of them to trade with the North.

Regional integration in SSA has been marred by governments’ preoccupation with negotiating preferential agreements and compensation arrangements. SSA Regional integration has to contend with unequally strong partners, different levels of commitment to the integration process, with divergent economic, political and/or environmental interests both at government and at private sector levels and with uneven integration speeds.

SSA’s dependence on northern markets for its primary commodities hinders prospects for intra-trade within their RECs. Among the most often cited constraints to greater intra-African trade and regional economic cooperation is the inhospitable macro-economic environment associated with high levels of inflation, large budget deficits, overvalued exchange rates and non-convertible currencies. Currency instability in SSA remains a stumbling bloc to the development of fully operational regional blocs and economic growth. Africa’s RECs have little interaction and regionalism (or territorial frameworks) is not effectively mainstreamed in member country structural operations. The continent also has a problem of overlapping REC membership. Africa has 14 RECs of varying design, 7 of which are considered building blocs. The RECs and their members often have different approaches to decentralization, local economic and territorial development.

Assuming appropriate strengthening, RECs and regional economic organizations (REOs) have the potential to take on execution roles for regional programmes and projects and regional components of collections of related national projects. RECs and REOs can play at their level much the same roles as the AU and NEPAD would play at the continental level:

- Advocacy to champion the cause of sub-regional agricultural agendas in order to have sustained commitment;
- Drawing attention to key opportunities of strategic value to Africa;
- Providing a clearing house for NEPAD’s agriculture programme and strategies
- In addition, they would: (a) be responsible for implementation of regional “flagship programmes and projects” or regional components of collections of linked national NEPAD projects; and (b) facilitating exchange of information and providing support to or promoting establishment of centers of excellence in high-level education, research, etc.

Indeed, new models for funding RECs will have to be found if they are to achieve credibility in implementing spatially accented rural territorial development programmes. In order to play the above roles effectively, it will be important for RECs/REOs to build up capacities so that they can secure reliable funding and other support. They will need to pay attention to two key factors: (a) the multiple membership and lack of rationalization whereby countries are in overlapping membership of several REOs. This situation has the potential to draw countries’ attention in divergent directions so dispersing the attention of governments; and (b) they generally have weak organizational capacity and limited resources - very often they have an insecure funding base, with national contributions not assured.

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<sup>13</sup> UNECA (2002) Annual Report on Integration in Africa (ARIA) Overview, Addis Abba, Ethiopia.

### 2.2.3 *Local Economic Development in sub-Saharan Africa*

As previously noted, 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 (World Bank, 2004). It brings into focus the role of rural towns in fostering new opportunities for people, rather than simply as marketing hubs, which has tended to be the implicit assumption of many policy makers. This is important for promoting broad based economic growth, improving social welfare and promoting a more varied and vibrant local economy in Africa.

For much of Africa disproportionate levels of poverty are to be found in rural areas and a high percentage of the population resides in rural areas. The need for directing local economic development programmes to rural areas has become widely accepted in recent literature (de Janvry & Sadoulet, 2003; World Bank, 2003). The World Bank (2001, 2002a, 2002b) suggests the following ten issues as representative of the most important and frequent sets of local economic development interventions:

- ensuring that the local investment climate is functional for local enterprises
- supporting small and medium sized enterprises
- encouraging new enterprises
- attracting inward investment
- investing in physical (hard) infrastructure by improving the built environment (roads, sewerage, airports) for businesses
- investing in social infrastructure (schools, clinics etc) and supporting representative community based organizations and NGOs as stakeholders in LED
- investing in soft infrastructure including human resource development, institutional support and regulatory issues
- supporting the growth of business clusters
- targeting particular geographical areas for regeneration or growth (i.e. area or spatial targeting)
- supporting survivalist, primarily informal sector enterprise and
- targeting certain disadvantaged groups.

However most LED interventions do not focus explicitly on mechanisms for deepening and broadening participation, and building durable social capital so as to ensure social and territorial inclusion in economic development. Several broad intervention areas are identified in terms of local economic development initiatives for poverty alleviation in Africa (World Bank (2003; Wegelin, 1996). These largely focus on key areas of municipal policy intervention as relating to (1) regulatory frameworks, which support the livelihoods of poor communities (2) access to municipal services, and (3) employment creation. The prime thrust of these policy interventions has been to augment the asset base of the poor or to enhance their capacity to manage their existing asset base. Improving the delivery of infrastructural services to poor communities is a critical element of local economic development in support of poverty alleviation in Africa. Indeed, a major step forward towards expanding the asset base of the poor is to enhance their limited access to a wider range of services e.g. water supply, sanitation, local roads and transport.

A refinement of local economic development is the Rural Economic and Enterprise Development (REED) approach which aims at enterprise development, economic

diversification and innovation of the rural economy, increasing its market orientation, and fostering value addition to rural products. The intensification of agriculture and the transformation of agricultural and natural resource products should in turn lead to increased rural non-farm employment, increased incomes and demand for both agricultural and non-farm products (Davis, 2004). Thus, a major objective of REED in Africa is to stimulate and enhance sectoral linkages between agriculture, agri-business and non-farm activities including service provision.

#### *2.2.4 Changing perspectives on rural development in Africa: from Integrated Rural Development to Sustainable Livelihoods:*

SSA has some history of “integrated” rural development programmes, through the Integrated Rural Development Programmes (IRDPs) of the 1960s and 1970s. Despite being area focused and multi-sectoral in orientation, these were primarily top down, donor driven and state led in approach, failing to stimulate social participation and private sector engagement or to address the characteristic features, advantages and limitations of specific places. IRDPs sought to promote comprehensive rural development across a number of key sectors in defined geographical regions or areas, usually corresponding with administrative districts or groups of municipalities. Although often focused on agricultural production IRDPs also made considerable investments in infrastructure, education, health care, sanitation and water supply but generally with scant attention to sustainability, relying on substantial inputs of external institutions and donor constructed mechanisms for management and implementation.

As a result of rising costs and limited benefits, the IRDP approach gave way, during the 1980s, to more specific and sectorally focused donor project interventions often directed to increasing productivity, incomes or food security of targeted beneficiaries within agricultural or other natural resource related production systems. As time went by, the failures of imported technical solutions and the search for sustainability led to a growing emphasis on strengthening local government institutions, and on beneficiary consultation and participation. The growing application of participatory rural appraisal (PRA) methods led to a fuller understanding of the complexity and context specificity of rural people’s livelihood strategies, and led to revision of thinking as regards the extent of dependence of Africa’s people on agriculture. These developments led to the emergence in the late 1980s and early 1990s of the sustainable livelihoods (SL) approach amongst rural development practitioners, drawing together new ways of understanding and addressing poverty issues

The sustainable livelihoods approach involved a number of key insights:

- The need to focus on people, the complexity of their livelihood strategies and the diversity of goals to which they aspire
- Recognition of the need for strategic interventions to enhance and support livelihood opportunities, moving from both isolated sectoral initiatives and comprehensive multi sectoral programmes
- The key role played by social capital in facilitating access to economic opportunities and social protection for the poor and vulnerable
- The importance of the policy and institutional processes and the governance framework in influencing livelihoods options and strategies – consequently the need for a good understanding of household economy in the wider and the policy context, and the need to link community level institutions and processes at the micro level with the macro level policy, institutional and economic environment.

These insights took Africa some way down the road towards a territorial approach. However the livelihoods approach was applied primarily at a micro-scale project level, rather than informing wider planning. Although it was influential amongst some development thinkers and taken up primarily by the NGO community. Thus, the failure of old approaches to rural development, and the withdrawal of funding for state led agricultural research, extension and marketing agencies, and the lack of emphasis on productive sectors such as agriculture in the Millennium Development Goals all contributed to a decline in major funding for rural development in sub-Saharan Africa.

Except in cases where the SL approach has been integrated into regional or area based projects, livelihoods analysis has generally neglected analysis of the spatial dimensions of poor people's livelihoods, and their relationships with institutions, markets, the natural environment, and indeed with other social actors and political power networks in particular places.

The growing recognition of and the complexity of livelihood strategies and the significance of connections with both rural and urban areas for the poor also focuses attention away from the need to intervene at the local scale in rural settings and toward a more complex spatial mosaic at the meso-scale incorporating small and medium sized towns and flows of people and goods to and from the urban centers. This suggests that the identification of broad spatial units of analysis and of operational planning within which principles of people centered, participatory planning and promotion of partnerships can be applied through a territorial approach, can help to improve economic opportunities and poverty reduction in practice.

### *2.2.5 Lessons for RTD from the Gestion de Terroir approach*

*Gestion de Terroir* (GT) was prominent amongst a wave of initiatives in decentralised natural resource management in Francophone West Africa in the late 1980s and early 1990s. The notion of *terroir*, refers to the assemblage of land and natural resources pertaining to a specific local community or village. Thus GT as a micro-territorial approach did not tackle broader meso-scale development issues in the way that Latin American and European territorial approaches have sought to do. GT involves processes of participatory appraisal and diagnosis, priority setting, skills development, institution building and stakeholder negotiation at village / community level, to transfer management of natural resources to the local level facilitated by external programme technicians. GT programmes, arose from observed failings of intensification based agricultural and Integrated Rural Development projects in the Sahelian region which aimed to reduce poverty and reverse environmental degradation. This stemmed from the earlier lack of attention to rights, responsibilities and overall sustainability in the use and control of natural resources and the over-centralized, sectoral and top-down nature of state planning which by-passed local participation and sought to implant ready-made solutions.

By focusing at the meso level, territorial development approaches implicitly address the limitation of GT in focusing on the micro *terroir* and the GT's absence of strategies for tackling resource management, economic development and institution building on a broader scale. Despite this, and the contrasting scales of operation of the two approaches, they have in common a concern in constructing institutions at local level which link development planning with territoriality by building on and developing social capital. As a result there are a variety of lessons of the GT experience, which are pertinent in seeking to develop wider territorial approaches:

- The need to link local or regional development and resource management with efforts to put in place a responsive and accountable wider policy and institutional environment. In particular, GT, by operating at a very local or micro level, does not provide a framework within which different village communities, social groups and stakeholders can negotiate sustainable and equitable resource management arrangements or resolve resource conflicts on a wider territorial scale. Further, GT tended to favor the interests of settled village communities over those of mobile pastoralists reliant on the resources of a variety of *terroirs*.
- The need to build upon historical, cultural and institutional realities in focus territories by involving indigenous institutions, pre-existing organizations, in order to promote genuine accountability, representativeness and sustainability.
- The need to focus on securing real land and resource rights for beneficiaries, to provide long term incentives for sustainable development and resource management.
- The need to grant legal (personality) and formal responsibilities to empower new territorial fora and structures and enable devolution of responsibility, and related to this:
  - The need for linkages with and influence on ongoing decentralization programmes so as to ensure responsiveness of local government, or bring about new decentralized institutional arrangements which respond more effectively to local priorities.
  - A need for linkages with sectoral government programmes to foster greater coordination in local delivery, maximize access to sources of support and avoid the need for new, parallel financing arrangements for local priorities
  - The importance of a focus on credit delivery within territorial programmes, so as to assist in financing locally prioritized development activities and infrastructure
  - The need to provide resources for delivery of some short term benefits to strengthen confidence and participation in longer term planning endeavors.

The risks of premature institutionalization of promising innovative approaches (such as GT or RTD) in formal sectoral programmes, and construction of standard models for implementation without consideration of the diversity of local contexts are evident.

### **3 Local Economic Development in South Africa**

#### ***3.1 LED and local government reorganization in South Africa***

South Africa has embarked on a comprehensive overhaul of local government to democratize municipalities, redress massive inequity of service provision and gear services towards overcoming poverty through growth and economic development. The South African state has attempted to deal with the contradictions of apartheid geography through the reorganization of local government which has taken place in two phases, and a radical decentralization of government functions to local level. In 2000, the Municipal Demarcation Board drastically reduced the number of local authorities from 830 to 284, vastly enlarging the size of municipalities and incorporating rural and urban areas within single administrative entities. Previously, areas defined as “rural” fell under tribal authorities, in the case of the former black homelands, or Regional Service Councils (RSCs) in the case of white commercial farming areas. Following the end of apartheid, from 1995 to 2000 rural areas were administered by Rural Transitional Councils maintaining broadly similar boundaries to these separate administrative units. As a result of the reorganization of local government in South

Africa, sharp divergences in terms of race, wealth and privilege coexist within local government units.

The intention was to improve the efficiency and fiscal viability of the local state through economies of scale, and facilitate implementation of its dual mandate of economic growth and poverty reduction. The new municipalities were created specifically to mix different settlement types, to include natural linkages and dependencies and to link richer former white areas with poorer former black areas to promote redistribution and to recognize natural service linkages.

The new municipalities include 6 metropolitan areas, covering the major cities, and a two-tier structure of local government, with a hierarchical system of administrative and planning responsibilities, comprising 32 local municipalities, encompassing small towns and adjacent rural areas, and 46 District Municipalities, each grouping together around 10 Municipalities. These have primacy over local municipalities in planning and financial terms – some government departments such as Health are seeking to devolve functions to the district rather than municipal level - but the division of responsibilities between them is variable, subject to negotiation, and often contested (Khanya, 2004). There are also major disparities in size amongst municipalities (they include an average of around 150,000 people, but adjacent municipalities can host from as few as 28,000 to as many as 800,000), and, despite amalgamation many are too small and struggling with capacity (Khanya, 2004), a situation similar to that of the micro-municipalities encountered in various European and Latin American countries, such as Spain and Brazil.

The social situation of the historically disadvantaged population of South Africa living in rural areas is characterized by relatively low standards of living and high rates of unemployment and poverty (Aliber, 2003). The majority of people are resource poor and have insufficient incomes and often also limited access to basic services to satisfy their elementary needs. While the achievements made over the last ten years in addressing the social needs of the poor are quite impressive, concerns remain about the sustainability of these often strongly subsidized interventions (Bond, 2003; Rogerson, 2003). Another question in point concerns the extent to which these interventions have contributed towards long-term growth and improved income generation for disadvantaged households. Whilst the poverty situation in the old homeland areas resemble the rural situations of other Sub-Saharan countries, the one major difference is that the rural poor in the homelands have far better linkages with wage incomes earned elsewhere, as well as transfer payments in the form of pensions and other subsidies. The communities are in the first instance not small-scale producers, but rather receivers of transfer income and/or job seeker societies. Only 3percent of the households living in the former homelands were estimated to derive their most important income from farming and only about 6 percent of rural households, which farmed, sold any fresh farm produce (Poverty and Inequality Report, 1998).

The enormous efforts by the democratic Government since 1994 to develop a new policy framework for steering and planning the transformation process as well as social and economic development resulted in at least 25 white and green papers and framework documents. These sectoral papers, policies and strategies - which are further detailed in development plans at provincial and local levels - provide guidance on the development priorities of the country. Central to the overall steering of the transformation process are the Reconstruction and Development Programme (RDP) of 1994 and the Growth, Employment and Redistribution (GEAR) macro-economic strategy of 1996, which form a twin strategy,

aimed at poverty alleviation and development and economic growth respectively. Relevant for guiding community development in rural areas are the following strategic elements of RDP and GEAR (World Bank, 2004a):

- Strengthening the capacity of local Government to provide services in a viable and sustainable manner,
- Poverty alleviation by meeting the basic needs of the disadvantaged communities,
- Ensuring a more equitable role for women,
- Ensuring meaningful participation by residents and stakeholders,
- Growing local economies that are conducive to sustainable employment creation.

The GEAR strategy reiterates the need for a competitive fast-growing economy which creates sufficient jobs for all work seekers, a redistribution of income and opportunities in favor of the poor, a society in which sound health, education and other services are available to all, and an environment in which homes are secure and places of work are productive. Further important elements are: a strict fiscal policy and the provision of a stable policy environment for private investment, the promotion of export growth, the restructuring of state assets and the creation of more flexible labor markets so that an impetus could be given to the private sector for the creation of jobs. Whilst the commitment to improving social services remain in place, there is a growing emphasis on creating the policy framework conditions to ensure economic growth that would not only sustain social service delivery, but would create opportunities in the economy for the poor to improve their own position through income generating activities (Rogerson, 2003).

Implementation capacities to turn agreed policy into practical programmes and projects designed to service the disadvantaged communities appear to be limited on both provincial and local Government levels. The pressure for implementing reform and support measures with visible practical results and tangible socio-economic benefits for the historically disadvantaged population is meanwhile considerably on the increase. Reflecting this situation, the Government has made the support to poverty alleviation - through social and economic development especially of rural areas - as well as accelerated growth and job creation key priority areas. Since 1994 the promotion Local Economic Development (LED) has been a central facet of policy and planning for reconstruction in South Africa. In promoting investment, and bringing about local capital accumulation, Municipalities were also required to promote (LED) projects, which in turn were to be linked to poverty alleviation. In support of this policy the numerous LED programmes related to community development in rural areas are expected to continue and is reflected in the medium-term expenditure framework (MTEF) (Davis and Rylance, 2005).

In 2000, a LED fund was established by the Government of South Africa, to enhance municipal level efforts to promote job creation and SME development (World Bank, 2004a). The LED programme in South Africa has been administered by the Department of Provincial and Local Government and its aim is to support projects at the municipal level dealing with the provision of business facilities, the support of agri-industry, the promotion of tourism and the development of human resources. However, after 275 projects were funded, the monitoring report identified major weaknesses in the policy and programme implementation (Atkinson and Ingle, 2003). These weaknesses were firstly regarding policy confusion. For example, it was unclear whether LED should be welfarist or entrepreneurial in approach, or whether it was exogenous or endogenous in scope. Perhaps more importantly the monitoring and evaluation process was seen to be ineffective not least because of its overly bureaucratic

yet vague procedures. A lack of reliable data and effective communication between stakeholders was seen to be a problem. It was therefore recommended that LED should promote either the economic environment holistically or promote SMMEs. Participatory evaluation and monitoring at all levels was also recommended.

**Box: 1 Mahala Development Centre (MDC) South Africa**

This small-business support centre focuses on improving income-generating activities that already occur at household level. In an area where unemployment is high and income levels are very low, the centre operates by shifting value-adding activities from urban centers to households in rural areas. Poultry raising, steel manufacture and cement-block making are some of the successful local economic activities that the centre has introduced thereby increasing the value added to the local community. The centre supplies materials, capital goods, information and services to micro enterprises, and has evolved from income generator to service provider.

Though open to anyone, 90 percent of its beneficiaries are women. The centre claims flexibility and informality are the key to its success. According to the center's experience, understanding the role of households in consumption and production is essential to successful poverty reduction in LED.

"Like all LED initiatives, MDC faces a contradiction: does it seek to eradicate poverty or to foster economic empowerment of individuals? The two are not necessarily the same. A poverty eradication approach would seek to reach many households, particularly women, and to provide them with the means to generate *sustainable* income, and to reduce their vulnerability to the causes of poverty. An economic empowerment approach, on the other hand, might seek to encourage successful entrepreneurs who can provide employment to others. Yet, is this a suitable and sustainable solution to poverty, particularly in an economically marginalised area. Focusing on enterprises and profits as opposed to *households and poverty* may lead to poor LED results." (World Bank, 2004a).

This contradiction between empowerment and poverty eradication is not uncommon in LED strategies (see Box: 1). Atkinson and Ingle (2003) have identified areas of policy confusion such as this in their assessment of the LED fund in South Africa. However, the Mahala Development Centre is an example of demand-led and grassroots-led LED. It is also an example of how collective action, in the form of trade unions, can effectively promote pro-poor LED.

Government's Guide to Municipalities on Economic Development and Local Government (1998) sets out the developmental role of local government in relation to the establishment of Land Development Objectives (LDOs) and Integrated Development Plans (IDPs), together with an overall philosophy involving mainstreaming of LED in municipal affairs, civic participation through democratically elected councils, investment promotion, business development and the meeting of basic needs. It notes that that the biggest single challenge is unemployment and presents figures for projected employment growth by sector up to 2020, based on an overall 6 percent growth rate (agricultural employment provides around 1 million or about 7 percent of jobs but is not expected to grow). The introduction of LED in South Africa predated the latest reorganization of local government, and the Guide's emphasis was primarily on urban economic development, although it noted that land ownership is a key factor in rural economies, and expressed the hope that the land reform programme will help enhance rural livelihoods, and stating that municipalities could help local communities apply for land acquisition grants, acquire land to create municipal commonage and support rural enterprise through credit information and training.

Atkinson and Ingle's (2003) study of the progress of the LED programme in South Africa finds that the fund, which is aimed at developing the role of municipalities in local economic

development, has performed poorly due to several areas of confusion, regarding the purpose of LED, the relative focus on existing enterprises and disadvantaged groups and the role of municipal management vis-à-vis that of external groups whose influence predominated.

Khanya (2004) report that support for LED has been fragmented between different spheres of government and “in practice often equated with projects rather than an integrated approach that can be sustained and scaled up which supports economic processes”. Moreover, planning was dominated by activities geared to achieving high growth rates in the formal economy. A study by the Department for Constitutional Affairs, quoted by Hart (2002), found that in most cases Municipalities did not understand how economic development and poverty reduction could be connected in conceptual or in practical terms.

### *3.1.1 The experience with IDPs and the development of the ISRDP*

At Municipal level, the Development Facilitation Act (Act 67 of 1995) required each municipality to establish a set of Land Development Objectives (LDOs). The idea was to try to overcome the restrictions of apartheid planning and begin the reconfiguring of racialised geography, through LDOs addressing service access issues, provision of bulk infrastructure, the integration of poor settlements into the area as a whole, and control of land development. The Act envisaged community participation in land use planning and development and the empowerment of disadvantaged communities. However the new LDOs were not widely developed, and the existing type of LDOs were originally drawn up by town planners and did not address objectives of racially integrated land use planning, or any type of land reform.

The Local Government Transition Act of 1996 went on to require all municipalities to formulate Integrated Development Plans (IDPs), a combination of an area development plan and a municipal business plan, incorporating the LDOs alongside integrated institutional, financial and communications plans, as a condition of access to RDP (Reconstruction and Development Programme) funds, and for which the Department for Land Affairs was intended to assume ultimate responsibility. However, in many cases such as in KwaZulu-Natal (Hart, 2002), the process meant that municipalities had to engage in costly planning process in order to secure access to very limited funds, and that in practice; considerable funds had to be devoted to hiring private development planning consultants.

IDPs offer mechanisms for coordinating local economic development strategies with other municipalities’ strategies. IDPs and local economic development are then linked in the sense that they have the common aim of allocating the resources optimally in order to foster growth and reduce poverty through the crucial linkages between fostering competitive economic activities and the satisfaction of basic needs, resulting from, for example, the creation of employment opportunities and the support of infrastructures. However, in evaluating an integrated development plan it is important to recognize the extent to which it may effectively be implemented. Often, local economic development interventions focus on dealing with economic decline and severe poverty; but with limited institutional capacity and financial resources, to support a reversal of such a decline.

IDPs are meant to be strategic and implementation oriented, participatory, and to be used as the basis for the municipal budget. Although participation has been considerable in some cases, the IDP is still not a strategic planning process formulating efficient, effective and policy-framed solutions for priority issues, especially cross-sectoral and cross-cutting issues such as gender, land reform, the role of urban-rural dynamics and the future development of

settlement patterns. Citing an appraisal conducted after the first round of IDPs, Khanya (2004) found that the IDP has become a ‘municipality-owned process’, which was ‘consultative and implementation-oriented. Davis’ (2006) study of selected IDPs in the Free State of South Africa and LED pro-poor growth strategies found that IDPs lack critical detail when considering the importance of creating an enabling environment for small-microenterprise (SME) development; a key government mechanism for promoting poverty reduction in South Africa. (see Box: 2).

**Box: 2 Creating an enabling environment for rural SMEs through IDPs in South Africa**

First, creating an enabling environment is closely related to equality, equity and readdressing gender inequality, and the importance of national legislation in this respect. Considering South African history, the emphasis on these aspects is understandable. However, creating an enabling environment for all businesses requires the same fundamental actions. These preferential groups should, however, receive special attention.

Secondly, incentives are provided for possible investors in some municipalities. However, it tends to occur more frequently within the larger municipalities (i.e., Matjhabeng, Mangaung and Metsimaholo in the Free State), which do not necessarily represent the diverse and often informal economic activities of the poor.

Thirdly, some IDPs mention the importance of Public Private Partnerships (PPPs). However, the concept in terms of LED is not well conceptualized. The lack of appropriate synergy between the private and the public sector is one of the main shortcomings in the Free State. Some progress with regard to the establishment of PPPs has been made in Lejweleputswa and Matjhabeng in the Free State. In the case of Lejweleputswa, a Local Development Agency is currently being established. In Matjhabeng, the Matjhabeng Investment Company (MIC) has been established. All shares in the MIC belong to the Matjhabeng Council. Although these initiatives are important to the Free State as a whole, their relevance to LED is somewhat limited. The MIC is a good example of what is termed a “Growth Coalition” or Private-Public-Partnerships for economic growth.

Fourthly, some mention is made of the importance of infrastructure as a mechanism for economic development. Although there is some link between basic infrastructure and business development, the link between business infrastructure and LED is not explicitly stated in most IDPs or LED strategies. For example, only one IDP mentions the importance of basic service delivery to business. Fifthly, in terms of regulations, it should be noted that few IDPs recognize the relationship between land tax on farms and the potential of this tax to inhibit job creation on farms.

*Source:* Davis, 2006

Many of South Africa’s IDPs are generic, and not focused on the unique characteristics and advantages of their particular areas. Some have sought to focus specifically on agriculture, land reform, and tourism, but in these sectors, as in others, municipalities have not had sufficient control over the resources of provincial and national departments to plan effectively. Overall the power of the IDPs to cause major shifts in urban-rural inequalities and patterns of growth has been severely limited (Khanya 2004). The process of setting Land Development Objectives, never properly resourced by government within IDPs, has been dropped, removing the scope for linking the local government planning process with participatory land use planning, and with centrally coordinated process of land reform and the work of the Department of Land Affairs.

In February 2001, government formally announced a major 10 year rural development initiative, the Integrated Sustainable Rural Development Programme (ISRDP) to bring together all departments and spheres of government, as well as traditional leaders, in an integrated approach. The programme would work to resolve the problems of regional planning; spatial development, cross-sectoral coordination and the lack of resources faced by local government in IDP processes in rural areas, but had no dedicated budget of its own. The intention was “*to build immediately on existing government programmes that have the possibility of wide impact and replicability ... [through] the well coordinated bottom-up*

*approach in a rural economic context underpinned by a well thought-out local institutional base within and outside government” (IDT, 2004).*

The first phase of the ISDRP operated in 13 “nodal points” in 8 of South Africa’s 9 provinces; selected on the basis of poverty incidence, low infrastructure and limited capacity. The ISDRP would then plan, sequence and coordinate existing budgets and programmes to respond to and resource the IDPs. However the ISDRP’s key challenges remain in the extent of power – and information – that local government can expect to have over resource allocation by national and provincial government, and the division of local planning responsibilities between municipal and district levels.

The ISDRP has yet to impact significantly on the MTEF process, which is essential if it is to align with the priorities of the IDPs. In an evaluation of the ISDRPs institutional arrangements and performance in its 13 nodes (Everatt, 2004a) it appeared that many of the officials engaged had come to regard it as just another government programme with its own budget and deliverables. Cross sectoral coordination continues to be a major planning commitment, particularly at national and provincial programmes charged with supporting local development in the nodes, although coordination in the local government sphere seemed to be performing well. However the nodes introduce an additional, and potentially complicating spatial perspective to development planning: some cross municipal borders comprising two or more local municipalities, some are located in District Municipalities, and others in Local Municipalities. Moreover Provincial and national level participation and budgetary coordination with the IDP process was found to be variable and sometimes poor (Everatt, 2004a). Key issues for the ISDRP to address thus include focusing and mobilizing stakeholders functionally around priority activities at municipal level, aligning departmental programme planning with the IDPs, getting relevant government departments to focus on IDP priorities, and strengthening monitoring, evaluation and reporting and linking this to downward accountability (Everatt, 2004b).

### *3.1.2 The institutional dimension*

Hart (2002) considers that the local government reorganization has begun to change the terrain of development planning and political struggles by the poor, opening the way to mobilization encompassing both urban townships and surrounding rural areas. The challenge can be interpreted as one of forging social capital at the territorial level through the mobilization of urban-rural alliances – and the impacts this could have on the nature of decentralized development through the ISDRP and LED processes - in effect questions of construction of territorial discourse and identify, and of spaces for dialogue, alliance and action amongst social agents. Hart sees the remapping of the local state in South Africa in December 2000 as a crucial turning point, so it is appropriate to ask to what extent the new local government units constitute a basis for the formation of alliances for territorial development in civil society, across urban and rural areas (and potentially across former black and former white areas)?

However, the new local government bodies have had a negligible role in transforming patterns of rural development, in the context of government’s continued pursuit of the pre-existing models of commercial farming and negligible allocation of funding to land reform and the development of new agricultural opportunities for the poor. In practice land policy became technocratic, focused on the resolution of individual claims for restitution and the processing of individual land acquisition grants designed to stimulate transfers to small black

commercial farmers, to the relative neglect of workers, tenants and farm dwellers. At the same time, there have as yet been no systematic efforts to assist the “integrated” development planning processes at municipal and district level to adopt a territorial perspective for instance by linking collective land restitution claims, and new forms of social ownership of land and agriculture, to programmes for local economic development, so as to enable both redistributive justice and continued economic accumulation, investment and employment. Despite the ISRDP, at the macro (policy) level there are challenges in limited political, administrative and fiscal decentralization and the lack of a viable economic strategy for rural areas and the informal economy. Moreover, this includes a lack of implementable IDPs at the district municipality or meso level addressing the needs of both rural and urban areas and to which all stakeholders especially the provinces are committed. Rural poverty remains a major problem, as over 70 percent of all South Africa’s poor reside in rural areas, over half of them chronically poor (Aliber, 2003).

### *3.1.3 Structural inequalities in access to land*

Cousins (2005), highlights the increasing reliance of the rural poor on multiple non-agricultural livelihoods (including employment, remittances, pensions, trade, micro-enterprise and natural resource extraction). He maintains that an area-based approach is required to create the conditions to integrate diverse elements and ensure coherence of an effective agrarian reform, involving a restructuring of rural socio-economic space and socio-economic relations. This should take place, according to Cousins, alongside a more wide ranging programme of land transfers, major improvements in infrastructure, support services and extension, a break from market led approaches, and a central role for the state together with progressive forces from civil society in driving land acquisition and distribution. Planning for land and agrarian reform should become central to IDPs, with the active participation of beneficiaries, and more systematic provision of infrastructure and support services, for which the private sector and civil society can assist in delivery alongside the state. Such an approach requires considerable capacity building and innovative institutional arrangements to link central to local government, support for rural enterprise and organize inputs and marketing. A number of current studies (Aliber, Matsika and Quan, 2006) are focusing on the achievements and impacts of land reform programmes within specific areas and their actual and potential contributions to local economic development in South Africa.

### *3.1.4 Towards a territorial development perspective for South Africa*

The construction of new forms of territory in South Africa presents a very different picture, since patterns of land occupation and territorial identity remain largely divided along racial lines, as a result of the continuing legacy of apartheid spatial planning which created a mosaic of white- owned export crop producing commercial farms and marginalized “communal areas” where the black population depend primarily on labor migration. Despite the creation of new local government units bringing together urban and rural and former white farming and black communal areas, and the existence of a nominally participatory IDP process, the physical separation of the two communities remains largely intact in rural areas as a result of the slow pace of land reform and its failure to date, to unscramble the apartheid map. Development planning at the local government level does not extend to land reform and agriculture, which remain, respectively, national and provincial level responsibilities. Moreover, there is no deliberate attempt or policy intended to facilitate territorial networking of civil society groups and social movements and their participation in development planning.

Historically a fundamental expression of territorial identity in South Africa revolves around the identification of tribal, lineage family groups which they inhabited historically, and over which they exercised customary rights. As a result of the history of force removals, these areas no longer correspond to the areas where communities reside, although they may overlap, which are in general overcrowded and incapable of supporting agricultural or natural resource based livelihoods. A variety of white commercial farming areas, such as those in *Makhado, Limpopo province*, the site of one of the South African case studies, are subject to community demands to recover alienated lands through the government's land restitution programme. Here, over 60 land restitution claims have been lodged by communities in former Venda, concentrated in the central Nzhelele valley area, a typical resettlement area that forcibly removed communities had been dumped in during apartheid era forced removals covering over 90 percent of land in Makhado (Nkuzi, 2003).

The planning of land reforms needs to take account of existing market and social networks as well as the historical and spatial patterns of settlement and migration (and in South Africa's case force removals), instead of focusing on administrative spatial divisions. Territorial assessments show that administrative units are often too small to enable the coherent integration of land reforms with economic development. In other cases, territorial units may be too large to enable effective planning and integration of local level action with a wider territorial perspective, because the territorial perspectives of key actors are more limited, and because communications and market linkages across the area as a whole are weak.

New thinking is needed in order to devise land transfer schemes which are appropriate to the livelihood and social aspiration of the potential beneficiaries, and in particular to capture livelihood benefits for commercial farm dwellers and workers, amongst the poorest social groups in South Africa, and for restitution claimants on commercial farmland. The experience of Makhado has enabled a scaling up of settlement of land reform claims on to a clustered, territorial basis, while focusing attention on the need for genuine partnerships with the private sector and moving towards the establishment of these – given the significance of land restitution for the local economy, the nature of the claims which communities have over the land and their complex mix of aspirations (including settlement, burial rights, owner operation of commercial and subsistence farms, increased employment and share ownership in community based commercial ventures simply transferring the land to communities, and / or allowing them to lease it back to existing commercial appear to be inadequate options. In addition to the need for commercial partnerships, Municipalities will need to consider the land use planning implications of land reforms.

A first hurdle to be overcome in adopting a territorial approach to rural development in South Africa concerns the coordination of agricultural planning and wider service provision within a common framework. However, a greater challenge lies in the territorial alignment of resource allocation and planning by different sectors and levels of government. This is necessary both to ensure sustainable integration of agriculture, including the land reform sector, into the wider economy but also to draw on the potential of agrarian change, including those cases where land reforms are demanded at significant scale – to stimulate greater and more equitable economic development.

In South Africa, although local economic development has become a decentralized function of local government, for which in theory participatory planning processes exist, land reform and agriculture – which are centrally and provincially managed programmes respectively, are

yet to be integrated into decentralized local planning, even in cases where there is high level political backing for an integrated, area-based initiative as in Makhado.

## **4 Case study experiences, approaches and opportunities for LED and RTD in SSA**

### ***4.1 From micro- to territorial scale natural resource management in the Sahel***

A common problem encountered by *Gestion de Terroir*, Community Based Natural Resource Management programmes, and a variety of pastoralist management schemes in Africa has been to focus only at the local scale, and frequently with an overly sectoral centered perspective. A shift to a wider territorial focus, as opposed to sector-specific and group-specific local project approaches provides the elements of a solution. This involves the creation of a workable institutional framework for negotiation between different groups and types of actors on a wider landscape scale. In most cases frameworks and processes for negotiating access arrangements to pastoral resources and settling conflicts between groups will in many cases be more appropriate than adjudication of substantive, exclusive property rights for individual groups. Secure and exclusive rights to resources for specific individuals and groups need to be balanced with flexibility to respond to changing conditions.

#### ***4.1.1 Conventions Locales in the West African Sahel***

Several Sahelian states have sought to clarify pastoral rights through the devolution of management rights and responsibilities to local communities, and the development of pastoral laws or charters which regulate competing resource uses (notably grazing and farming). These could incorporate elements of customary pastoralist land management, such as herd mobility, negotiated access to natural resources based on reciprocity, kinship and social ties and the multiple, sequential use of grazing and water resources by different actors. Such “negotiated tenure” approaches seek to establish frameworks to regulate fairly competition between user groups and manage conflicts, in which rights of access and boundaries may be subject to continual renegotiation. A related innovation across West Africa has been the development of *conventions locales* whereby access and management arrangements for shared natural resources over wide areas are negotiated between the full range of interested stakeholders including pastoralists themselves (Gueye and Tall, 2004). These are helping to overcome the deficiencies of more localized *gestion de terroir* approaches which focused on individual settled village communities and tended to exclude mobile herders.

### ***4.2 Participatory and Negotiated Territorial Planning***

The UN-FAO has developed an approach for Participatory and Negotiated Territorial Planning focusing on territory as an arena for dialogue and negotiation, which has been applied in the context of post-conflict reconstruction in countries such as Mozambique, Angola and Sudan:

This has concentrated on the development of methodologies which can be applied to help manage conflicts over territorial resources - in which different actors territorial claims, visions and perceptions come into conflict – specifically contested land and natural resource rights. The methodology for territorial negotiation processes which should be a learning

process for re-establishing social dialogue involving all the actors, needs to be: (a) coherent and feasible, so as to be efficient and effective as possible given available time and financial resources; (b) transparent and accountable; (c) iterative and progressive in order to be able to add new elements to the diagnosis, draw up new hypotheses, and allow for a renegotiation of the outcome and agreements; and (d) flexible and replicable in both space and time (i.e. applicable to different geopolitical, agro-ecological and socio-economic contexts). Simplicity and practicality are required so that the process can be easily understood and to allow actors' involvement in each phase.

A fundamental element of the approach is to work towards a Social Territorial Agreement (STA) - the result of a participatory process which includes plans of activities or initiatives for local development, and on institutional arrangements or distribution of resources (in short, medium, and long term) defined through negotiation among the different actors in a given territory. This agreement is contractual in nature and should reflect improved social cohesion within the territory. It may require external support to build capacities and access external resources.

In order to reach agreement a phased approach is required:

- a diagnostic phase in which the views of different actors need to be understood and existing demands are critically assessed to understand their rationale, nature and interests;
- a second phase, in which actors are supported to set out coherent and feasible perspectives for the future development of the territory and to formulate proposals; and
- a negotiation process which should aggregate the diversity of interests in a given territory to formulate rural development proposals, following procedures and rules that the actors must agree upon in advance and that are enforced by a credible and legitimized third party.

#### *4.2.1 Angola*

During the late 1990s in Angola, this involved support during an intensive period of transformation and development to the resolution of conflicting claims for land arising. These claims arose from the settlement of Internally Displaced People through negotiation processes between private entrepreneurs (including high government officials) local communities and traditional authorities on the settlement of displaced people, training in the resolution and prevention of land conflicts, participatory land demarcation and territorial negotiation methods for government land institutions and CSOs. This led to provisional titling of displaced people on their customary lands. Linked to these efforts UN-FAO has supported the development of national land policy and laws to better respond to future development needs, through improving land administration capacity and land records, and debate about the appropriate institutional framework for land management and territorial planning.

#### *4.2.2 Sudan*

In Sudan, the resettlement of IDPs and minimisation of land conflicts during post conflict reconstruction, together with in depth diagnostic work helped to establish a planning framework for the Government and NGOs to work together in rehabilitation of war-affected areas, to achieve a transition from humanitarian relief to the restoration of self-reliance and sustainable livelihoods. These initiatives led to the preparation of a project to support land rights restitution and improved security through the reduction of land and natural resource

conflict involving pastoralists and negotiated consensual planning in pilot areas. The approach illustrates how a coherent and complementary set of activities to develop decentralised participatory land management, provide legal security for customary rights, establish a minimal land administration and information capacity, and practical land dispute resolution mechanisms can provide a foundation for equitable rural territorial development in which the rural poor are protected from tendencies of land grabbing and speculation which emerge in the post-conflict context.

### **4.3 Territorial Planning in Francophone Africa**

A territorial development framework has been adopted by UEMOA, the Economic and Monetary Union of West African States, and a programme of financial and technical support aims to build a learning network of West and Central African states in developing new approaches to rural and regional development (coordinated by the Partnership for Municipal Development based in Benin) which respond effectively to the challenges of globalization.<sup>14</sup>

This emphasizes the need to build on and deepen progress in decentralization of government planning and service delivery, and political democratization made in the 1990s. Thus, to address the challenges outlined earlier of rapid urbanization and growing inter-regional inequality throughout West Africa, by building inter-local cooperation, overcoming ethnic divisions and connecting different territories with global market networks. This will involve programmes for:

- the establishment of competitive territories based on increasing the capacity of local actors to realize local potential based on the full range of local resources
- inter-communal or inter-municipal planning
- trans-frontier cooperation to address the problems of remote border areas
- programmes to integrate development of towns and cities and the wider rural regions within which they are located
- formulating and implementing sectoral development programmes increasingly within in a territorial context and
- participatory local planning and territorial pacts involving stakeholders from public and private sectors, different levels of government, and the diversity of social actors.

#### **4.3.1 Benin**

Benin has developed a National Scheme for Territorial Development and Planning, which is planned to form the basis of the National Public Investment Programme. The approach aims to establish greater coherence between spatial development strategies put forward by decentralized institutions, and the sectoral and spatial priorities of central government, and to coordinate the development strategies of neighboring local authorities.<sup>15</sup>

Benin was chosen to pilot a structured process of territorial development planning for a number of reasons. Firstly, its recent decentralization programme has established relatively large Communes with territorial development responsibilities spanning economic, social and cultural development, public health and environmental management. Moreover; these local authorities are also responsible for local policies and programmes for public and private investment. However, prior to the inception of the programme, these plans were not linked to the national territorial development process, which established its own guidelines for sectoral

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<sup>14</sup> See [www.amenagement-afrique.com](http://www.amenagement-afrique.com)

<sup>15</sup> See [www.amenagement-afrique/benin](http://www.amenagement-afrique/benin)

planning and priority locations for intervention. As a result Benin had already begun a process of reflection on the need for an intermediary level between central and local government in territorial development based on the country's natural and cultural features.

Territories in Benin, are understood as groupings of municipal communes, as they are in many countries in southern Europe and in Latin America. For a set of pilot territories, *Territorial Development Projects* comprise an integrated set of plans, Inter-communal social and economic development; Municipal Development Plans for each of the communes involved; a Land use / land occupation plan for the territory as a whole; and urban plans for the towns and cities concerned. These groupings of local Communes should be characterized by a common networks and inter-dependence in agriculture, natural resource systems, labor markets, economic development and spatial development, and the plans should aim to bring about closer relations and greater coherence between urban and rural development. The territorial project is cemented by a partnership contract between central government and the communes involved, reflecting a shared and negotiated development plan. This in turn can be supplemented by individual contracts with particular communes and towns and partnership contracts with other actors, such as Chambers of Commerce, farmers' organizations, NGOs, professional organizations, trade unions, and community leaders. The partnership contract must take account of the natural, ecological, watershed and demographic features of the territory, and the territorial nature of different sectors, such as networks of health provision, water supply, electricity and agro-industries.

The principal cash crops are oil palm and cotton. Benin has significant under-exploited agricultural potential, constrained by a lack of market outlets. By contrast, Benin's proximity to Nigeria together with the tradability of the French Community of Africa (CFA) franc on international markets have led to the emergence of a dynamic commercial sector with growing levels of activity in import-export, transport, land development and business and financial services. There is significant political support for the development of small-scale agriculture, including livestock and fish production, alongside improvements in security of tenure, and for decentralized local economic development strategies to develop rural infrastructure in transport and small scale irrigation, improve marketing of agricultural produce and expand small scale agro-processing activities in rural towns. These strategies, facilitated by the establishment of inter-communal territorial plans, are needed to ensure a more balanced distribution of economic activities between the towns, in particular the coastal urban axis of Cotonou - Allada - Porto Novo and the rural areas, and between the coastal region and the interior.

One of the pilot territorial planning processes groups together 9 communes of the *Departement* of Oueme in the South East of Benin, culturally and linguistically integrated and united by the geographical position around the river Oueme, one of the most fertile river valleys in Africa, and Benin's principal food producing region. The region comprised two sub-territories of the lower Oueme valley, grouped directly around the river, where agriculture predominates, and the more urbanized Gun country in which the economy is oriented primarily towards agriculture and towards trade with Nigeria. The principal objectives include developing the territory's agricultural potential and strengthening economic opportunities outside of the urban centre of Porto Novo, through development of a 5-10 year collective vision including priorities for infrastructural development and service delivery. Pilot activities are focusing initially on a collective inter-communal tourism development strategy as an instrument for territorial integration, spanning both sub-territories and based on Oueme's natural and cultural assets.

#### 4.3.2 *Ghana*

Well endowed with natural resources, Ghana has roughly twice the per capita output of the poorer countries in West Africa. Even so, Ghana remains heavily dependent on international financial and technical assistance. The domestic economy continues to revolve around subsistence agriculture, which accounts for 34 percent of Gross Domestic Product (GDP) and employs 60 percent of the work force, mainly small landholders (World Bank, 2006). Economically, Ghana has made advances over the past year. GDP has grown by 5 percent in 2004/05 and the value of exports has increased by 11 percent (World Bank, 2006). Inflation has declined significantly, but is expected to rise again. Ghana still faces major challenges in certain key areas. An estimated 40 percent of its population of approximately 21 million still has a per capita income of less than \$1 per day and unemployment remains high. While Ghana is a democratic nation, devolution of certain responsibilities from the national to the regional and district levels has been slow and District Assemblies' institutional capacity has grown only marginally. All of these challenges are areas in which donors are focusing their assistance efforts.

Cocoa is the principal cash crop, and the farming sector has recently been buoyed up by rallying cocoa prices, but remains constrained by the lack of new technologies, difficulties in access to land and tenure security, weak marketing chains and restricted credit supplies, plus a consequently accelerating exodus of youth from rural areas. Traditional extensive farming techniques under demographic pressure lead to downward pressures on soil fertility, crop yields and land access, and increasing variations and overall declines in rainfall levels, associated with deforestation pose further constraints. The economy as a whole faces difficulties in the retention of professional skills, and it is estimated that approximately 15 percent of Ghanaians live and work outside the country.

Despite a program of decentralization, District Assemblies, the principal units of local government in Ghana, remain weak and financially dependent on revenues collected and allocated by Central Government. Much of these originate in natural resources: forest, mining and land in urban and peri-urban areas leased out by traditional authorities, yet despite steady depletion of these resources, the bulk of these funds serve to support the running costs of the District Assemblies and very little is re-invested into productive activities, and Ghana lacks any form of decentralized local economic development strategy.

Private and public investments have tended to concentrate in the highly populated central and southern regions of the country, the triangle formed by the cities of Accra, Kumasi and Takoradi, where most natural resource revenues are generated. More recently the national poverty reduction strategy has concentrated on the 45 poorest districts, concentrated in the North, involving investments in the water, health and transport sectors. The fortunes of a highly dynamic smallholder agricultural sector have fluctuated according to market conditions for the principal cash crops, notably cocoa, although farmers have recently diversified into oil palm and a variety of fruit crops. Public agricultural investment has focused on centrally conceived special initiatives seeking to assemble land for large scale commercial production and processing of commodities such as palm oil and cassava flour, with limited success. Agricultural development has also been limited by land conflict and litigation resulting from complex relationships between customary authorities, land owning families and migrant cocoa farmers. In some areas, agricultural development has also been limited by growing land speculation, multiple land sales by traditional authorities and

unregulated land development in peri-urban areas. This has led to widespread tenure insecurity, limited access to land for younger generations and instability in the land market. Although government is seeking to combat these problems through a program of land administration reform including the creation of Customary Land Secretariats intended to improve accountability and equity in land management by traditional chiefs. This programme could potentially provide a platform for closer collaboration between them and District Assemblies in local economic development,.

Ghana stands in need of sub-national approaches to agricultural development and natural resource / environmental management in order to orient rural infrastructure and land use development territorially, together with a rural investment strategy supporting the spatial re-adjustment of polarized patterns of economic development between urban and rural areas. Such a reorientation of development strategy will require support for development of greater strategic capacity by regional and local government, and in particular a strategic territorial planning role at the regional level to facilitate coherent cross district planning. Greater collaboration between traditional authorities and local government in land management, in particular to restrain unregulated peri-urban development, together with collaborative cross-border initiatives with Ghana's francophone neighbors to address the problems of remote frontier regions also need priority attention.

#### 4.3.3 *Mozambique*

Mozambique has achieved relatively high levels of economic growth of around 8.5 percent per year over the last fifteen years since the settlement in the early 1990s of a long running civil conflict. Much has been achieved as a result of the spontaneous re-establishment of smallholder production and private sector intervention in the marketing of cash crops such as cotton, tobacco and cashew. Yet while smallholders depend on variable prices, uncertain climatic conditions, and relatively restricted access to regional and global markets, a rapid expansion of business development opportunities led by the national elite and external investors, including white South African and Zimbabwean farmers, coastal and wildlife related tourism development, and a number of enclave style projects in aquaculture and flower production, the rehabilitation of tea plantations, a number of industrial mega-projects reliant on foreign capital and imported raw materials, and widespread extraction, both legal and illegal has so far largely failed to generate more prosperous local economies. Despite the importance of small scale agriculture, which employs over 70 percent of Mozambique's workforce, the government's economic development strategy prioritized reductions in tariffs and tax exemptions in order to attract large scale investments into urban areas and restricted rural zones, such as the Zambezi valley, to facilitate the rehabilitation of former state companies. In line with this approach agriculture's contribution to GDP declined from 30 to 23 percent over the period 1996 to 2004, overtaken by the industrial sector whose contribution rose from 16 to 27 percent<sup>16</sup>. These changes have involved the virtual disappearance of small scale industries producing agricultural inputs and equipment and the widespread decline of agri-processing activities.

There are also however, encouraging signs. In the cashew sector, which suffered huge drops in productivity owing to the collapse of large scale state run processing plants, the establishment of a series of privately run small scale factories has increased output and generated employment in local economies, and now handles a small but growing share of

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<sup>16</sup> UNDP Human Development Report on Mozambique 2005.

Mozambique's cashew output (the bulk of which is exported for processing to India, which unlike Mozambique, benefited from loans for the rehabilitation of its processing factories during the 1990s). Government has now granted greater financial autonomy and tax raising powers to district authorities, charging them with the development of their own economic development plans, and defined a set of priority districts for investment in infrastructure and services, according to their economic potential. The 1997 Land Act creates an obligation for community consultation by private investors providing incentives for community - private sector partnerships in access to land for investment purposes, and entitles local communities to demarcation of land and territorial rights. An independently managed Community Land Use Fund has been established in order to speed up implementation, and achieve a dynamic linkage between the securing of community land and resource rights and local economic development. Finally, a decentralized approach to local government involving the establishment of village level Community Development Councils and inter-village local development fora provides scope for increased community voice in territorial planning at local level. It remains to be seen however to what extent these initiatives can renew the contribution of agriculture to local economic development, in line with its full potential.

## **5 Transferability of LED and RTD approaches to and within SSA**

### **5.1 *Lessons from LED and RTD experience in Africa and its relevance to agricultural development***

Experiences of both LED and territorial approaches in Sub-Saharan Africa remain at a very early stage. There are a number of relevant initiatives, these are primarily urban or cross-sectoral in nature, and the experiences reviewed here do not as yet demonstrate benefits for the agriculture sector or for the opportunities available to small-scale farmers.

Africa's experiences so far in these fields fall broadly into three groups:

- (i.) *Urban centered LED initiatives*, which focus primarily on: (a) small scale industries and the service sector; (b) the investment climate; and (c) infrastructure and business development services.
- (ii.) *Cross-sectoral territorial planning initiatives*, notably in Francophone West Africa have focused on the process of bringing different actors together at inter-municipal level, and linking these processes to sectoral strategy development at central government level. This is intended to promote greater coherence in spatial and infrastructural planning. In addition it supports sustainable regional development by building on the comparative advantage and resources of particular territories. Cross-sectoral territorial planning initiatives also respond to the challenges and opportunities West Africa face in the context of regional and global markets and urban –rural linkages.
- (iii.) *Negotiated frameworks* have proved effective in resolving land and natural resource conflicts between different groups, including pastoralists and agro-pastoralists in West Africa, and groups of displaced people, local communities, elites and business people in a post-conflict setting. These processes engage with agricultural issues, but primarily focus on meeting the immediate food security and livelihood needs of different groups,

rather than medium or longer term agricultural development, although where successful, they may lay a foundation for inter-community partnerships and foster private sector investment.

The country with the greatest experience in LED in sub-Saharan Africa is South Africa. However although its experience is instructive, it faces in many ways unique challenges which may limit the relevance to other countries. As a more diversified industrialized economy, agriculture, although highly developed makes a limited contribution to employment and the economy as a whole. Moreover, as a result of the long-term historical removal and alienation of large numbers of the black population from the land and agriculture, the poor tend to seek employment in other sectors of the economy. In addition, South Africa benefits from higher levels of capacity in both central and local government than most other SSA countries, and a comprehensive framework for decentralized municipal planning. However, to achieve coherent and sustainable trajectories of territorial development which include a wide range of social groups, spatial planning processes need to overcome two challenges which relate to the continuing legacy of apartheid planning: (a) the spatial and substantial economic separation of racial groups; and (b) a highly sectoralized approach, whereby different branches and levels of government adopt different and spatially non-coincident planning frameworks. A symptom of this latter problem is the fact that the IDP process does not engage significantly with agriculture or issues of land reform.

Nevertheless, the significance of agriculture for economic development and employment in Africa, the (changing) nature and accessibility of domestic, regional and global markets to Africa's farm producers, the need to attract capital investment and develop transport and marketing infrastructure, and the wide inter-regional variations (at both continental and national scales) in climate, agricultural potential, productivity and crop suitability, mean that developing appropriate sub-national strategies for agricultural development are needed. There are thus opportunities to build on and develop the as yet limited LED and RTD experiences and explore their application to agriculture. Amongst the issues which these approaches can address are:

- Establishing clear sub-national priorities and strategies for infrastructure in transport, marketing irrigation and water management, and strengthening opportunities for farmers to supply local towns and wider regional markets
- Issues of access to land and natural resources, where competition exists between different groups, guaranteeing access to land and natural resources for small-scale producers, and for improving land use planning, notably in curbing peri-urban land speculation and the loss of productive agricultural land
- Territorial frameworks for development and participation of producers and farmers organizations in agricultural planning, including in appropriate adaptive research and technology, input and credit supply and market development
- Territorial frameworks for identifying private sector opportunities and for attracting and managing private sector investment and partnership arrangements with small-scale producers.
- Identifying and implementing opportunities for diversification from primary farm production into for instance, small scale agri-processing, natural resources management and production (tree crops, wildlife honey, bush products, craftwork, moderating off-take of biomass for charcoal) and eco-tourism.

## 5.2 *Lessons from Latin America and OECD countries*

In this section we reflect further on the opportunities to strengthen agricultural development in Africa using LED and territorial approaches, considering briefly some of the lessons from territorial development experiences in Latin America and Europe:

### 5.2.1 *Harmonizing national / federal and provincial / state level rural development policies and strategies:*

Since its inception in 1991 the European Community (EC) initiative the LEADER Programme is widely recognized as having been a successful and innovative pilot instrument to mobilize local actors in a bottom-up, territorial and integrated approach to pursue local economic development in rural areas. Currently, LEADER+ is one of four EC initiatives financed by European Union structural funds and is designed to help rural actors consider the long-term potential of their local region. It has a strong focus on sustainable development, partnership and networks of exchange and experience.

LEADER is structured around three actions:

- Action 1: Support for integrated territorial rural development strategies of a pilot nature including i.e. Local Action Groups (LAG).
- Action 2: Support for cooperation between rural territories. Many of the LAG under action 1 will also be active under action 2 setting up cooperation projects.
- Action 3 Support for (national) networking. In each member state a national network unit supports LAGs in implementing their strategies under actions 1 and 2.

In the programmes adopted under LEADER+ the highest share of funds go to action 1 (86.7 percent of planned expenditure). In the transition countries, particularly the EC-applicant states from the Balkans, the LEADER programme and in some cases the Structural Fund programmes, have been important in offsetting the impact of declining primary sectors in rural areas and related employment through new growth areas such as tourism, new value-added niche product activities, health, social care, local culture and environment and information communication technology (ICT). Local factors have been crucial and include a sense of local identity, place based marketing, good governance, and revitalization of local cultural and environmental assets, strong local entrepreneurship and timely external support. In the Balkan states a comparatively high proportion as compared to the EU-25 of rural people are still engaged in agriculture.

Broadly the lessons of experience from Europe and Latin America are that high level (national, federal) policies initiatives for an integrated, cross sectoral or territorial approach to rural development need to be aligned with similar policies at a lower level i.e. that of the Province, State, or Region, in order to work. Thus regional governments in Spain, with decentralized rural development policies, often taking a territorial approach, for instance in Andalusia, have been able to take advantage of European policies and opportunities through the LEADER program to attract additional funding to strengthen cross-municipal territorial groupings bringing together local government, private sector and community actors, and to support their bottom-up priorities for agricultural development, infrastructure and diversification. By contrast, in Brazil, Federal level territorial development strategies align with compatible approaches in some states but not in others. In Bahia for instance, the state

government, until 2007, took a primarily private sector driven approach to agriculture, focusing on attracting capital investment at local level, maintaining the domination of large land owners, and making only negligible investment in developing agricultural services for small-scale farmers. As a result territorial development fora, established under a Federal initiative, found themselves working primarily with civil society farmers groups, NGOs and a handful of Federal agencies, without effective participation by private sector or local municipalities (generally politically closely aligned with State government) and without willing partners to implement priority projects (which constitutionally must be contracted by either state level or municipal government).

In Africa, a similarly broad alignment of central and sub-national rural development and agricultural strategy is required. However, the regional or provincial level administrations and institutions typically have much lower capacity than in Latin America or Europe, and decentralization programmes generally aim to build capacity for planning and program execution at the local government level. One lesson therefore, is the need to develop some strategic capacity at the sub-national intermediate regional or provincial level, so as to enable identification of regionally and locally distinctive needs and opportunities and to facilitate public or private investment to meet them (as is beginning to happen in Mozambique). Experience, for instance in Ghana shows that where central and provincial government strategy centers on attracting high value, high profile projects these sometimes generate limited benefits for local economies. Sub-national government needs to be able to understand and articulate the needs of local government and local economies in national and wider fora so as to be able to obtain political and financial support for more fine grained regionally specific plans and priorities.

Another potential lesson of the experience in large developing countries and within Europe of using national level funds to support sub-national territorial initiatives is that there are opportunities for sub-regional economic organizations, for instance new programmes along the lines of LEADER to mobilize and channel funds to local and territorial agricultural production and marketing projects, organized under the aegis of regional / provincial government. A particular challenge concerns cross border cooperation on initiatives promoting territorial growth (e.g. transport and ICT network integration investment) which might need to be implemented through RECs. There is also a need for cross border initiatives where indigenous territories and local economies have frequently become marginalized from national development processes.

### *5.2.2 Importance of effective engagement with and by local government*

The lessons of territorial development in Europe and Latin America, as well as in South Africa are that to achieve success local government must be engaged. In much of southern Europe, SSA and Latin America, the basic Municipal units of local government are very small, often too small to have significant capacity or host a critical mass of economic activity. Therefore, in order to develop viable territorial economies, the question has been how to overcome the limitations of micro-municipalities and create some sort of cross-municipal structures for territorial planning and program management. However constitutional provisions determining the formal role of local government cannot be overridden, and where local municipalities do not see advantages in territorial initiatives, they tend to fail. In Africa the situation tends to vary territorially and nationally: in a few countries (e.g. Mali) the units of local government tend to be larger (and may often be more closely aligned with territories considered from the geographical, socio-cultural and environmental point of view) but they

also have more limited capacity; in others the opposite may be the case (e.g. within South Africa). However because District governments tend to be responsible for local economic development, it is generally appropriate to build capacity at that level, and to give local government responsibility for territorial planning.

Where various Latin American and European countries such as Mexico, Argentina and Scotland have found they need to embark on re-organizations of local government, to align it more adequately with territorial opportunities, this may not be appropriate in most of Africa. What may be possible, building on local government capacity where necessary, is to establish inter-municipal agreements and contracts for collaboration (as the experience of Benin shows) as well as delegating higher level strategic roles to regional or provincial government.

### *5.2.3 Importance of effective linkage civil society / private sector*

All the successful territorial initiatives in other regions have engaged with civil society and private sector actors alongside local government and sectoral or regional development agencies in frameworks for participatory planning. Africa has the disadvantage that development of both of these sectors remains relatively weak, meaning that territorial and local economic development planning is dominated by government, or by municipal government and the urban business sector as in South Africa. Consequently it becomes important to work with emerging NGO and private sector federations which represent local level CBOs and private enterprise, but which may only exist at provincial or regional level, in mobilizing resources for local and territorial planning. Farmers organizations, where they exist can also play a critical role. National and regional development agencies, and donors, can strengthen the capacity of these organizations to engage with local and regional planning processes, and help ensure that they are genuinely representative. Where government organizes sub-national planning processes specific efforts need to be made to involve both private and civil society groups. It also becomes critical to involve community and customary leaders in planning by local government; where this is not done, as in Ghana, territorial planning is unlikely to succeed. Finally, where the lowest levels of planning are effectively undertaken by local communities themselves, and inter-village fora as in Mozambique and Tanzania, this can form a sound basis for developing higher level territorial planning.

### *5.2.4 Addressing indigenous and traditional land occupation and territorial claims*

Many of the territorial development initiatives in Latin America have originated in the territorial claims to land and natural resources of indigenous and other marginalized social groups. The process of these groups struggling for and obtaining land titles has assisted in community organization, creating a basis for them to go on and organize productive projects and participate in regional markets and in planning processes at local government or higher territorial levels, and assisted in the process of constructing broader territorial identities and development visions in heterogeneous societies. Although rural areas in Africa often remain dominated by customary patterns of land occupation, the same principles of experience hold true – legalization of community land rights, demarcation of territorial boundaries, and decentralized arrangements for the management of land allocation and natural resource access are a pre-requisite for the participation of poor farmers and rural dwellers in local economic development life. Local land boards or commissions with local community participation can come to play important roles in planning and development as well as in land administration.

In addition, the recent experience of Brazil in promoting rural territorial development illustrates how what a serious obstacle structural inequalities in access to land can be, resulting in “twin track” approaches to economic development by small and large farmers, which fail to engage with one another. Development of broad based local agricultural economies in southern Africa, for instance, requires that these inequalities be addressed through processes of land reform and restitution, alongside efforts to support small farmers and achieve local economic development. Moreover, case studies in South Africa land reforms suggest that land reforms can best succeed when managed in a decentralized way, as part of planning for local economic development. Similarly, demarcation of community land rights and the legal requirement for community consultation by potential investors in Mozambique creates the possibility of a level playing field conducive to equitable and participatory territorial and agricultural development.

#### *5.2.5 Local economic and rural territorial development drivers of change*

There is growing recognition that aggregate levels of economic growth must also be reflected by growth in the productivity of regional and local economies, through more territorial approaches which has more direct linkages with employment and with livelihood and asset building strategies of the poor (World Bank, 2005). Although there is good evidence that the impact of economic growth on poverty is negatively affected by income inequalities (Ravallion 2004) and that asset inequalities depress economic growth as a whole (World Bank, 2005), there has been no assessment of the potential poverty impacts of sub-national economic growth and the reduction of intra-regional disparities, and the implications for local economic development.

Well focused, socially inclusive pro-poor growth is an important medium term strategy, involving diversifying rural economies through agro-based secondary economic activities, eco-tourism and links to urban markets, in turn requiring decentralization to facilitate more transparent and accountable institutions, community mobilization, civil society and private sector partnerships.

Recent thinking and published empirical work on LED retains a focus on economic regions centered on major cities (Rodriguez-Pose, 2005) or on cities themselves (Nel, 2004), without emphasizing the roles of small and medium towns and of institutions and SMEs operating across urban and rural markets in more local economies. Moreover, in SSA, LED has not embraced the complexity of livelihood strategies, straddling urban and rural areas, wage labor and self provisioning, and frequently self-reliance oriented, drawing substantially on both natural resources and on spatially extended social economies (Davis, 2005). Better understanding of the dynamic linkages and flows of goods, resources, finance, information and labor between rural and urban areas, and within and across specific territories or sub-regions is required, in order to understand how local economic growth impacts on poverty, and the roles that current institutional configurations and public policies are playing in assisting the emergence of more inclusive and sustainable local economies in Africa.

In SSA currently support for LED is very fragmented, between the different spheres of government, and in terms of the lack of effectiveness of partnerships to promote LED and growth. Some areas where support is needed are:

- Need for quality and accredited business development services (BDS).

- Promotion of local purchasing and product branding, e.g. with business directories and data-bases of skills
- Need for appropriate spatial planning, territorial and planning restrictions, which are often developed for formal sector – in some situations need to relax controls for the development of the informal sector within which most of the rural poor operate
- A challenge of appropriate business incentives for the formal and informal sectors, and avoiding destructive competition for subsidies
- The need to link urban and rural livelihoods, and the recognition of the diverse nature of people's livelihoods, particularly of the poor
- The need for uniformity in central government in their vision of LED, the lack of which is causing inconsistencies at local government levels
- Need to track and measure impacts and so for effective monitoring and evaluation mechanisms, which should be overseen by an appropriate structure such as the National Treasury.

In SSA current national policies emphasize the importance of support to enterprise development. LED initiatives linked mainly to local economic development funds have had limited long-term economic benefits to local communities. It is clear that LED is in many cases still equated to state-funded projects and not enough is being done in respect to enterprise development (Davis and Rylance, 2005).

The organizational development of businesses including agriculture and agribusiness in the SSA informal economy has not taken place. In the South African context the establishment of effective co-operatives could be one mechanism through which to facilitate organizational development. Certainly, effective SMME support seems to be lacking. Despite some initiatives in this regard, this remains under-resourced or *ad hoc*. Although local and district municipalities should assume responsibility for such services, municipalities cannot be expected to finance these directly. Linkages between emerging, established and big business are not always being actively supported. Infrastructure development for enterprise development purposes is not actively promoted and implemented.

SSA presents a complex set of needs for BDS providers. It appears that, while there is a relatively dynamic urban business environment at the large-scale enterprise level, households at village level do not even receive basic services, BDS providers are almost absent at the meso level, i.e. micro-regions and small towns. There are also strong arguments in favor of targeting small towns as 'entry points' for the establishment of BDS institutions due to their intermediary status of linking villages and larger towns in the wider economy and their potential capacity to generate speedy and dynamic territorial economic development for the whole local economy. In this way, some recommendations have been advanced in order to suggest mechanisms to create a business-friendly environment at the local and regional levels in Africa, wherein BDS providers are placed as potentially key players:

- The role of government should be limited to establishing a comprehensive pro-business regulatory framework and building effective infrastructure facilities, such as roads and communications.
- At the local government level, key players are the district level government institutions, the private sector and NGOs, where roles could include: identification of local development priorities; facilitation of enterprise creation; provision of funds for enterprise development; and monitoring of local markets and standards.

With respect to actual types of BDS institutional arrangements, African governments could build on and support existing organizations that provide one or more business development service. Specific services include training for skill development, business counseling (with a particular focus on agribusiness), input-output marketing and cluster formation. In this case, rather than creating new BDS institutions, we recommend African governments help upgrade and improve current performance particularly by influencing government officials' perspective with regard to risk management and business approaches. Experience from Latin America, for example, suggests that by setting up innovative training courses to help enhance the entrepreneurial skills of civil servants and young civilians, a business-oriented outlook within public sector actors has been unleashed and positive impacts on BDS delivery encountered.

In SSA, often entrepreneurial development particularly in the agricultural sector has not received adequate attention. The question is why this has not materialized? A number of factors have contributed to this state of affairs. First, it is not clear that state financed local economic development programmes have greatly assisted enterprise development. This may have happened despite the intention of programmes to address SME development. SSA LED programmes have mostly funded community projects with the intention of developing new SMEs. This meant that municipal energy went into maintaining these projects. Second, the desperate financial situation of local government has made it extremely difficult to support enterprise development and local economic development units are typically under-resourced.

Local economic development units are typically understaffed to actively promote enterprise development. However, this should not be a major stumbling block. Local economic development managers should see themselves as facilitators. The aim should be to facilitate access to NGO programmes and government support. Local entrepreneurship can also be fostered through specific entrepreneurship programmes. However, it is vital that SME development is prioritized as part of a territorial development strategy promoting growth and poverty reduction in rural areas.

In SSA, monitoring and evaluation data on enterprise development is typically absent. A specific effort should be made in this regard as it is essential to build a knowledge framework which can in the long-term assist further learning. As previously noted, SSA rural areas are poorly serviced with the physical infrastructure required to access national market centers or export points. Local government planning departments need to ensure that the rural-urban split of resources dedicated to infrastructure provision in LED plans is fair, and this may necessitate lobbying by local government and other relevant agencies. In summary, the key features of LED practice in SSA are as follows:

- LED in SSA is still equated to state-funded projects and not enough is being done in respect to enterprise development.
- Market access to business opportunities in the rural non-farm economy have not been addressed except for some efforts around local procurement.
- Overall monitoring and evaluation in respect of initiatives around LED and rural economic and enterprise development are not well entrenched.
- Organizational development of businesses in the informal economy has not taken place. In the South African context the establishment of effective co-operatives could be one mechanism through which to facilitate organizational development.

- Effective SME support in Africa seems to be lacking. Despite some initiatives in this regard, this remains under-resourced or *ad hoc*. Although local governments often assume responsibility for such services, they cannot be expected to finance these directly.
- Linkages between emerging, established and big business are not always being actively supported.
- Infrastructure development for enterprise development purposes is not actively promoted and implemented.

We should also seek to address the difficult question of how rural local governments, the private sector and NGOs – collectively and/or individually – can achieve a growth path or trajectory which operates to achieve *simultaneously* the goals of enhanced competitiveness on the one hand and of poverty reduction on the other. At present there are few locally relevant examples of pro-poor growth initiatives that focus on best practice case studies of economic and enterprise development supported through local economic development frameworks in Africa. So what might be done to improve the situation in a local economic development context? In brief the following are the main lessons from a REED<sup>17</sup> and LED approach that could be considered as a part of a framework for promoting a sustainable process of economic diversification which leads to pro-poor growth in South Africa (see Davis, 2006):

- Build on (and develop) local resources and assets, e.g. land holdings, agricultural skills, community networks, municipal land
- Identify local regional drivers of growth which have the potential to link the poor to non-local (national, international) markets
- An enabling, “listening”, responsive, supportive state, particularly at local level, which can augment ordinary people’s assets, economic activities, and aspirations. This will require (a) re-tooling and re-orientation of local government to focus on the “client interface” (the connection point between citizen and government), and (b) devolution of developmental functions to local/regional level
- Providing support services that are directly relevant to people’s livelihoods needs, e.g. storage facilities, local roads and local goods transport systems
- Decentralising local policy-making to local governments providing support to these authorities to devise effective policies and programmes
- Inter-sectoral integration at local level, transcending the “silo mentality” of government departments
- A new approach to spatial development, much more closely attuned to identifying local potential, and identifying spatial opportunities where such assets can be utilised more fully, e.g. peri-urban smallholdings.

The need for directing LED programmes to rural areas has become widely accepted. Often governments have neglected the role of local government /municipal authorities and non-urban planning frameworks which support the economic development of peri-urban and rural regions, their inter-connectedness (often through rural towns), and for example trade and

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<sup>17</sup> The Natural Resources Institute (NRI) has been central in the development of the Rural Economic and Enterprise Development (REED) approach, which is based on an analysis of the success factors in economic development and lessons learned from failures. Several agencies have been involved (GTZ, DFID, and WB) who came together to develop a rurally focused approach to LED. The REED approach also aims to overcome isolated approaches in for example small and medium enterprise (SME) development, micro-finance, agricultural services and infrastructure investment (Davis, 2004).

remittance networks which themselves enhance growth and income generation opportunities for the rural poor.

There is also often a divide between urban planners and rural development agencies. The former tend to suffer from urban bias, often neglecting the interdependencies between urban centers and their rural hinterlands, whereas the latter are essentially concerned with development at village level, ignoring the importance of small and medium towns to the livelihoods of rural households and the rural economy as a whole. The role of small and medium size towns in the provision of services, incentives and capabilities through rural urban linkages are seen as a key to the wider rural development processes. Both rural and urban planners lack a full understanding of LED and its rural-urban connectivity and have a weak capacity to mainstream LED principles within sub-national structures including local government. The multi-sector nature of local economic development processes also poses major challenges, especially in contexts characterized by centralized decision-making systems and limited inter-agency and inter-departmental coordination.

Future SSA initiatives on LED must embed an understanding of the engines of growth. These drivers and incentives often lie outside of the local government district, municipality and or territory and require equal attention in the building up of the tools and capacities in LED.

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