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PROMOTING LOCAL ECONOMIC DEVELOPMENT:
A REVIEW OF CITY SUMMIT BEST PRACTICES

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Chapter 1 *Introduction*

1.1 Background

Over the last 50 years or so, the world has experienced significant economic and political changes as well as an underlying continuity in patterns of growth and inequality. There has been an increasing awareness that previous undertakings labelled as supply-side, free market, export-based approaches and the like have altered and weakened local and regional economies (Blakely, 1994). Consequently, a renewed attention has been given to local government and decentralization for the following reasons: (a) increasing demands for popular participation which is seen to be best achieved through decentralized political and administrative decisions; (b) decentralization as a way of improving efficiency and mobilizing resources locally and which can alleviate the negative impacts of cutbacks in national government spending; and (c) awareness that local government has a critical role not only in promoting economic growth but also in enhancing public administration.

In line with this trend, countries have started to decentralize some responsibilities and functions to the market and the non-government sector as well as to lower levels of government. It is now widely recognized that scarce public resources can go much further when they are spent to facilitate private sector ventures of programs and projects that used to be exclusively implemented by government. In addition, an increasing role in the current economic and political life is now relegated to non-government organizations, business interest associations, community-based organizations and people's movements owing to their flexible structures and dedicated staff that can grasp more efficiently the needs and demands of localities as well as mobilize private funds. Within governments, the transfer of decision making authority from national to local is based on the recognition that decentralization can stimulate and motivate people to play a larger role in local communities as part of their wider responsibility.

In this new scenario, local government adopts a more critical role as it facilitates the promotion of economic development by the key actors in its locality.

1.2 Objectives of the Study

Much of the literature on local economic development (LED) strategies are based on experiences of local government and other institutions in industrialized countries. While developing countries are now starting to take on the same strategies, there are undoubtedly contextual factors that may account for variations in actual implementation practices. Analysis of these practices would be useful to the advancement and, hopefully, the formulation of a LED theory as well as to the further enhancement of the capabilities of developing countries and the improvement of their overall organizational and administrative framework.

This study aims to review innovative strategies undertaken to promote LED particularly in the areas of employment creation and investment generation. This was done by identifying and systematically classifying these practices according to the institutional framework by which LED is promoted, actual LED strategies employed by local government, and the administrative reforms implemented to complement these strategies. From this, an attempt was made to establish cross-national trends of these innovative practices in order to identify the role of local government in LED promotion. A corollary objective is to examine any differences in practice between developing and industrialized countries.

1.3 Research Problem

In accordance with the aforementioned objectives, this study sought to answer the following questions:

Main Questions

1. What role does local government play in LED promotion?
2. What are the differences in the best practices of developing and industrialized countries?

Sub-Questions

1. What is the institutional framework for LED promotion?

2. What particular strategies are undertaken by local government in LED promotion?
3. What administrative reforms are implemented within the local government organization in line with these LED strategies?

1.4 Best Practice Initiatives (BPI) Database

A BPI is defined as an action, initiative or project aimed at solving social, economic and environmental problems which is implemented by people as well as their communities and which has resulted in tangible and sustainable improvements in the quality of their lives and in their living environments¹. There are about five hundred BPI cases stored in a database developed by the United Nations Commission on Human Settlements, in cooperation with the Together Foundation and the Kellogg Foundation, in order to allow dissemination of and learning lessons from BPI experiences of both developing and industrialized countries. This database is arranged according to key words as well as thematic, geographical and scale search criteria thus enabling users to identify practices that are of interest to them under a number of headings. Annex 1 contains the classification of the database by project initiative which is further divided into sub-initiatives.

The BPI cases are actually entries for the Habitat Awards of Excellence in Improving the Living Environment which were bestowed at Istanbul, Turkey during the Second United Nations Conference on Human Settlements (Habitat II) also dubbed as the City Summit in June, 1996. Initially, country submissions were evaluated/shortlisted at the Institute of Housing and Urban Development Studies in Rotterdam, The Netherlands by a multi-cultural Technical Advisory Committee (TAC) and later judged in Toronto, Canada by an international jury based on the criteria of tangible impact, partnerships and sustainability as well as additional considerations like innovativeness, transferability, gender, capacity for scaling up, high demonstration value, leadership in inspiring action and change, accountability and transparency in

¹ taken from Habitat II - The City Summit, Bulletin No. 5, October/November 1994.

decision making processes, empowerment of people, and high impact in relation to resource allocation.² As it stands now, summaries of these cases can be viewed at any one time using the World-Wide-Web site on the Internet but the complete narrative of the cases is only available on CD-ROM as well as on DOS, MacIntosh and Windows diskette sets.

The BPI cases provide information on what is actually happening in the local scene of both developing and industrialized countries. Moreover, since these are written and submitted by local people who consider these initiatives as the best way by which local problems can be properly and adequately addressed, the BPI database can be seen as a global revelation of preferences for solutions to these problems. Taking this viewpoint, the BPI database becomes a very important source of information for this study.

1.5 Methodology

This study is primarily a survey of the innovative practices of local government in promoting economic development using BPI cases from developing and industrialized countries. The methodology comes in three phases: case study selection, systematic classification and establishment of cross-national trends.

1.5.1 Case Study Selection

As depicted in Section 1.4, one of the classifications of cases in the database is by project initiative. Bearing in mind that the objective of this study is to review local government strategies for LED promotion, potential cases were initially selected through a process of logical elimination by taking only those which fall under four categories: (a) poverty eradication, (b) economic development, (c) urban governance and (d) urban and regional planning process, where local government is identified as a key actor in development. For purposes of manageability and in

² taken from the TAC report on the Review of the Best Practices Submission, Rotterdam, March, 1996.

view of time constraints, the cases were shortlisted further by excluding those which do not explicitly point to employment creation and investment generation as intervention area or component activity.

After the elimination process, a total of thirty-two cases, eighteen from developing countries and fourteen from industrialized countries were finally chosen for review in this study. Annex II contains the summaries of these cases as presented in the TAC report and the BPI database.

1.5.2 Systematic Classification

The LED practices of local government drawn out from the cases used in this study were classified according to the following areas of concern:

a. *institutional framework for LED promotion*

It is assumed that LED promotion brings together different people and organizations with varying capabilities as well as manner and degree of involvement. Drawing from this assumption, individual tasks performed by each of these actors vis-a-vis LED promotion were delineated.

b. *LED strategy*

Focusing now on local government itself, practices were classified according to the strategic options for LED promotion identified by Blakely (1994): locality development, business development, human resource development and community-based economic and employment development.

c. *administrative reform*

Administrative reforms undertaken by local government vis-a-vis the LED strategies were classified according to structure and procedures of operation. Moreover, the extent to which these reforms are formalized to guarantee sustainability was identified.

As stated in Section 1.2, the objective of this study is to review strategies undertaken by local government for LED promotion. It should be noted however that such review is done only to ascertain the direction of change. Thus, it encompasses the description and classification, not the assessment and evaluation, of current trends in the institutional framework as well as local

government strategies and administrative reforms undertaken for LED promotion.

In understanding the classifications made and discussed in succeeding chapters, it is important to bear in mind three things. First, these classifications are not mutually exclusive. In most cases, one key actor performs several tasks or share one task with other local actors. Similarly, local government undertakes more than one LED strategy and form of organizational change. secondly, some local government practices do not exactly fit the literature definitions of LED constraints and strategies. Whenever this occurs, the unique practice is placed either under the closest definition where it would fit or put under an entirely new heading. Lastly, there are some cases where the implementation of a LED strategy by local government does not entail a corresponding administrative reform.

1.5.3 Cross-National Trends

Cross-national trends of the institutional framework as well as local government strategies and administrative reforms were discerned from the classifications made in order to identify the role of local government in LED promotion.

1.6 Scope and Limitations of the Study

The term local government is used in this study to refer broadly to the layer of government below the national or country level. Thus, it may be in the form of a provincial or metropolitan government, a district authority or a municipality.

The limitations of this study arise from the data source and the nature of the research methodology used.

1.6.1 BPI Database

As depicted in Section 1.4, the cases reviewed in this study come from a large database which, although arranged systematically to facilitate selection, has a rather loosely-determined classification. Authors were merely instructed to classify their cases according to a given list of initiatives and sub-initiatives.

There are two possible scenarios arising from this process of

self-classification which may affect the case selection for this study. First, case authors may have chosen as many (sub-) initiatives as possible so that they can fit in most of the sectoral categories used in the TAC evaluation/shortlisting thus giving them more chances of being considered for the Habitat award. This problem is resolved by taking on only cases where employment creation and/or investment generation are explicitly mentioned as intervention area or component activity. The second scenario is where authors whose cases contain a LED strategy may not have chosen any one of the four initiatives cited in Section 1.4 because of mere oversight. Drawing from this likely occurrence, it is thus possible that there are still some cases in the BPI database containing LED strategies undertaken by local government which had been missed because they are listed under other initiatives.

Going now to the individual case studies, narratives have been written in diverse formats focusing on different aspects of the BPI being discussed. This non-uniformity in presentation has made the classification and analysis of LED strategies more difficult and has led to the down grading of certain areas of concern originally intended as a discussion point in this study. For instance, since the institutional mechanism for LED promotion has not been adequately depicted in most of the cases, focus had to be geared instead to the identification of tasks by LED key actors.

Another drawback seen in the use of the BPI cases is the limited description of the contextual factors within which the initiatives were implemented. This issue is partially addressed by securing additional information from books, journals, periodicals and other non-conventional sources like the Internet and responses of contact persons to electronic mail queries. Although attempts were made to link local government practices to its contextual environment, it should be noted that these were done mainly to explain deviations from the cross-national trends that were discerned from the cases as well as differences in practice between developing and industrial countries.

1.6.2 Case Study Survey as a Research Methodology

Relatedly, the use of the case study survey as a research

method has an inherent disadvantage with regard to the formulation of generalizations. In this particular study, for instance, the diversity in the explicit and implicit contextual factors as well as the heterogeneity of the practices presented in each case became limiting factors to the formulation of generalizations that would apply across all developing and industrialized countries. It is for this reason that generalizations of findings was done very sparingly even in the concluding chapter. Instead, insights were provided on lessons learned from the comparisons made between developing and industrialized countries and tasks directed at enhancing LED promotion activities of local government are identified.

1.7 Organization of the Study

The study is organized into six chapters.

Chapter 1 provides the background and objectives as well as delineate the parameters of the study. Chapter 2 defines the analytical framework from which local government interventions in LED promotion are empirically explained. It discusses some concepts used in LED and local government administration. In Chapters 3, 4 and 5, systematic classification and consequent establishment of cross-national trends in developing and industrialized countries are made of the institutional framework as well as local government strategies and administrative reforms for LED promotion. The findings presented in these chapters are synthesized and form the basis for the identification in Chapter 6 of the role of local government in LED promotion. The second part of this last chapter discusses emerging tasks directed at further enhancing the LED promotion activities of local government in developing countries.

Chapter 2

Theoretical/Conceptual Framework

This study is mainly directed at identifying the role of local government in LED promotion. Thus, its analysis is based on theories and concepts that apply to LED promotion - its institutional framework and local government as one of its key actors.

In this chapter, the different theories relevant to understanding the concept of LED is outlined. The local key actors and their potential contribution to LED promotion are also identified. Moreover, the dynamics and forms of the institutional arrangements for LED promotion involving these actors are presented.

In the second part of this chapter, focus is given to the local government as a key actor in development - its tasks, the LED strategies it can undertake and the administrative reforms it will have to implement to complement these strategies.

Finally, the framework for analyzing the information generated from the BPI cases is presented.

2.1 Institutional Framework for LED Promotion

2.1.1 Local Economic Development: Definition and Evolution of a Concept

LED is a process in which local government, community-based groups and the private sector administer their resources and come into partnership or networking arrangements with each other to generate employment and encourage economic activity in a specific area (Zaaijer and Sara, 1993). Its goal is to enable the local economy to respond to national and global processes of economic restructuring, improve its capacity to grow and generate more employment, and to enhance the capacity of enterprises for innovation so as to make use of new economic opportunities. Endogenous development using the potential of local human and physical resources to create new employment opportunities as well as to influence the operation of new locally-based economic

activity is the main feature in any locally based economic development (Blakely, 1994).

There are various bodies of theoretical work relevant to understanding LED (Bingham and Mier, 1993). For this study, focus is given to market-based theories of economic development and political science theories highlighting on interest groups and institutions.

LED can be traced to the location theory in economics which is based on the paradigm of profit maximization having evolved from simple transportation cost minimization models to more complex locational models incorporating numerous other determinants within a cost production framework (Blakely, 1994). The locational factors include labor costs, the cost of energy, the availability of suppliers, communications, education and training facilities, and local government quality and responsiveness. Another important determinant is agglomeration economics which refers to the advantages derived from locating firms in close proximity with one another. These benefits include cost advantages emanating from the sharing of specialized machineries, ease of attracting customers and an enhanced labor force. Agglomeration economics often leads to "co-evolutionary" development wherein firms stay put in their location on account of business interdependencies that have evolved over time (Blair and Premus, 1993). In the present-day LED strategies, location theory forms the basis for deciding on business sites and in making communities more attractive to investors.

Some regional development theories developed in the mid-1950s also apply to the current concept of LED. The most significant one for this study is the agropolitan development theory which stresses that the only way by which regions can face the challenge of industrialization is by preserving its cultural regionalism (Nelson, 1993). Thus, a spatially-defined agropolitan region based on common cultural, political and economic spaces is organized to take greater control and manage its own resources. It can then undertake policies like subsidizing target industries in order to locally provide goods that used to be primarily imported, building highway systems to improve the accessibility within the agropolitan

area, and encouraging the investment of local savings into local opportunities.

The political economy or institutional approach to LED, on the other hand, focuses on the functions of key institutions and actors who are involved in the development of a locality. The city as a "growth machine" thesis, which was introduced in the 1950s but which gained prominence only during the protest movements starting in the 1960s, describes the relationship between the political process and the process of economic growth (Wievel et al, 1993). This perspective argues that the development of a city is a result of collective and cooperative activities of growth coalitions who deliberately work together to regulate land use, enlarge the local population base and increase the demand for local goods and services. Key players such as government, media, private developers, financial institutions, utility companies, and later, neighborhood organizations who share the same interests formed these growth coalitions.

2.1.2 LED Promotion: Key Actors

Various authors (Streeck and Schmitter, 1985; Tomlinson, 1994; Uphoff, 1993) have identified, albeit labelled differently, three groups that are involved in the development of a locality: public, private and community sectors. Table 1 shows a summary of the characteristics of each sector.

Table 1. Characteristics of the 3 Sectors Involved in LED Promotion

Element	Public Sector	Private Sector	Community Sector
principal mechanism	bureaucratic organization	market processes	voluntary associations
decision maker	administrators and experts	individual producers, consumers, savers and investors	leaders and members
guides for behavior	regulations	price signals and quantity adjustments	agreements
criteria for decisions	policy and best means to implement it	efficiency, maximization of profit and/or utility	interests of members
sanctions	state authority backed by coercion	financial loss	social pressure
mode of operation	top-down	individualistic	bottom-up

(adopted from Uphoff, 1993)

Public sector involvement in economic development is founded on two main arguments based on efficiency and a third which is concerned more with equity than efficiency (Helmsing, 1995). The public goods argument justifies government involvement in view of the fact that consumers cannot be charged for particular goods and services since the benefits derived from them are collective and therefore it is impossible to measure how much each individual has consumed. The market failure argument, on the other hand, states that government action is needed especially in conditions where the market is not able to operate efficiently because of monopolistic behavior, risk/uncertainty, positive and negative externalities, free-riding, etc. The last argument is based on the commitment that government has to provide access to certain goods and services regardless of people's ability and willingness to pay.

The private sector is the one which generally creates jobs and generates investments by producing tradable goods. Following this logic, its involvement is important not only because it has a big stake in LED but also because it brings in a range of resources including management skills, technical knowledge and access to finance.

Lastly, the community sector, which includes non-government and community-based organizations, plays a significant role in LED promotion because it serves as a bridge by which access is gained to particular groups of the population in a locality which are generally difficult to reach. The sector's other strengths which will be valuable to LED promotion are (Havers, 1991): (a) focus on target group, (b) flexibility and responsiveness, (c) heterogeneity, (d) ability to experiment, innovate and pioneer untried development approaches, and (e) deep commitment to a clearly defined mission. In addition, the community sector can also be directly involved in LED promotion through participation in policy formulation. The objective of such participation is to minimize the bureaucratic-professional control and to put forward consumer preferences.

Having identified the key actors and their respective roles, focus is now given to the dynamics and the interrelationships of these actors when undertaking LED promotion.

2.1.3 LED Promotion: Institutional Arrangements

The rationale for forming institutional arrangements among the public, private and community sectors is that a single sector may be unable or unwilling to handle the complexity and risks as well as to meet the skill and resource demands essential for LED promotion. Forming these arrangements does not imply however that these three sectors will become completely dependent on one another since each can still remain detached along certain dimensions of the relationship.

The benefits of developing relationships between the public, private and community sectors are numerous. These include reduced uncertainty, managed dependence, exchange efficiency and social satisfactions from the association (Palmer, 1996).

The involvement of these sectors in LED promotion is a complex process requiring the creation and nurturing of linkages based on understanding, mutual expectation, and trust. The process entails agreements on particular goals, settlement of conflicts and task allocation which are all undertaken within a shifting context of incomplete information as well as sectoral rivalries and differences in motivation. Consequently, participation in LED promotion implies substantial and continuing investments of time, energy and freedom of action on the part of the three sectors involved.

The success of an institutional arrangement involving different actors depends on how and under what conditions resources can be shared and applied for the attainment of a common goal. In a classic article, Popkin (1984) identified several factors relating to costs and benefits which local actors are expected to take into account when deciding on their participation: (a) expenditure of resources, (b) positive rewards, and (c) leadership viability and trust. The article also stressed that this collective action requires certain conditions that will enable actors to realize that it is in their best interest to share their resources with others in order to achieve a common objective.

Relatedly, a recent article (Brett, 1996) discusses three issues arising from the notion of popular participation which could be adopted to the formulation of institutional arrangements for LED

promotion: the problems of self-interest, bounded rationality and material incentives. In the first issue, the concept of reciprocity is to be institutionalized in order to minimize the potential for manifestations of self-interest and opportunism by each sector in the pursuit of fulfilling its individual goal. This means that sectoral contribution to LED promotion activities depends on the extent to which other sectors meet their side of the implicit contract involved. It also implies that a system of incentives and a legitimated authority structure are required to manage the transaction costs that arise out of difficulties in generating consent and commitment. Secondly, being part of a LED promotion network or partnership presupposes that the three sectors have equal information and skill. When this condition does not exist because of "bounded rationality," a sector's actions might at times be perceived as counterproductive by its partners. An even worse situation is where a particular sector exercises some control over decisions since it will lead to sub-optimal overall performance. Lastly, conflicts over material incentives cannot be ignored in the institutional arrangement for LED promotion since the sectors involved as well as the stakeholders participate not only to satisfy solidaristic goals but also to make a living. Hence, in formulating institutional arrangements for LED promotion, it is critical to develop allocation mechanisms that recognize the need for rewards and sanctions, control for different levels of skill and productivity, and address potential problems of undiscipline and malfeasance. More importantly, it should be noted that these arrangements can survive only when each sector believe that it can maximize the use of its resources and achieve its goals by cooperating with others than working alone.

Bennett and McCoshan (1993) identify 5 different network models operating in most localities where LED activities are undertaken: (a) individual/"person" culture characterized by segregated actions with possibilities of conflicts between sectors as well as overlapping of or gaps in activities; (b) "role" culture which follows the vertical line management structure and involves multiple tiers of administration; (c) "club" culture where activities of relatively independent sectors are interlinked and

coordinated at a central point; (d) "task" culture where sectors individually perform mostly routinary activities with minimal coordination; and (e) "flexible task" culture where sectors share common goals and strategies and are held together in a relationship that is adaptive to its changing environment. The effectiveness of each of these models depends to large extent on the nature of the locality and sectors as well as the network's goals and tasks.

Another form of institutional arrangement for LED promotion is the concept of partnerships where the public, private and community sectors join together and give firm commitments to establish and pursue common economic goals (Blakely, 1994).

Whatever institutional arrangement is formed, it is important that convergence is sought, i.e., information exchange is improved, goals are agreed upon and every actor takes on particular roles and performs tasks together while at the same time retaining autonomy of its actions.

2.2 Local Government as Key Actor in LED Promotion

2.2.1 Local Government: Types, Tasks and Policies

Given the diversity of the contextual factors existing in different countries, arriving at a definite topology of local government is indeed a very difficult task. It is even made more complex especially when the nature of national-local government relations across countries is considered. However, exploring the conception of and the tasks performed by local government in these countries would be useful in identifying its role in LED promotion.

O'Neill (1990) identifies contextual factors which influence the pattern of local government across countries: (a) geography and resource endowments that affect its structure and the extent of localist sentiment, (b) constitutional status which guarantees its existence and powers, (c) political factors which may facilitate or create barriers for the formulation and implementation of administrative reforms, and (d) historical and cultural factors that dictate the appropriateness of the local government system.

Goldsmith (1990) claims that there are four types of local government that have existed in recent times. The clientelistic or patronage model is where local government focuses on delivering

particular benefits to its constituents and ensure that their interests are properly represented and protected especially at higher levels of government. The second type is the economic development model wherein its principal functions, aside from service provision, is the promotion of economic growth and the creation of conditions that will allow and regulate market forces to operate in an unconstrained manner. Thirdly, the welfare state model of local government which aims at efficient service provision linked to national norms of equity and redistribution. The fourth type, which is an improvement over the economic development and welfare state models, is one where it ceases to be the producer of services and instead promotes consumer choice by taking on a variety of production and delivery mechanisms based on competition and markets.

Notwithstanding these types of local government however, there is a core of tasks which it normally performs.

UNCHS (1989) identifies two main functions of local government: (a) to provide social and/or economic infrastructure and services, and (b) to guide future urban growth and development. In the first task, local government provides services and infrastructure as well as performs economic functions such as creating employment opportunities by promoting small enterprises and training unskilled workers. In the second task, it formulates and enforces plans and regulations to upgrade and maintain the existing physical infrastructure and to secure the growth of the locality.

Similarly, Davey (1996) broadly categorizes the tasks of local government as involving service provision, regulation as well as development planning and coordination. The latter task includes economic development and employment creation utilizing intervention areas such as infrastructure investments, technical support to entrepreneurs, incentives to investors and joint marketing promotion of a town and its products.

In the area of policy making, local government formulates policies within the bounds of the authority transferred to it from the national government. These include (Bennett, 1990a): (a) administrative policies supportive of the local business climate

that will minimize barriers to inward and endogenous investment, (b) regulatory policies that focus on stimulating cooperative arrangements from which all sectors can derive benefit, (c) fiscal policies as in the case of charging fees commensurate with benefits received and (d) expenditure policies through selective advisory services and general local public goods.

2.2.2 Strategies for LED Promotion

The promotion of LED involves tasks that cut across the goods and services provided by local government for its locality. Strategies can be effectively formulated by first identifying and analyzing specific constraints that limit the growth potential of a locality. Table 2 in the next page classifies these constraints according to causes and the action required from the public sector.

There are two principal alternative models by which local government strategies for LED promotion can be analyzed (King and Pierre, 1990). The supply side approach is based on the principle of comparative locational advantage and is aimed at attracting inward investment. Thus local government may provide tax breaks, cheap land, infrastructure and subsidized plants. The demand-side approach, on the other hand, is premised on the enhancement of a locality's indigenous and human resources by encouraging the creation of new businesses in targeted industries, investing in high technology industries, and allocating funds for training and high-powered scientific research.

Relatedly, Blakely (1994) identifies four strategic options which local government can use in LED promotion: locality development, business development, human resource development and community-based economic and employment development. The first strategy refers to land and "image" management. Its instruments include planning and development controls, townscaping, and household services and housing. The business development strategy refers to the creation of a good business "climate" by providing, among others, business assistance centers, technology and business parks, venture financing companies and group marketing systems. The human resource development strategy, on the other hand, is aimed at linking employment needs of the business sector and the

job formation process. It utilizes a variety of instruments such as customized training, targeted placement and local employment program.

Table 2. Constraints that Limit Local Economic Development

Gap	Cause	Action Required
supply of entrepreneurs	social and economic bias in favor of employment rather than self-employment	social security system education tax system
supply of innovations	inadequate R and D	education and research policy misallocated R and D expenditure tax system
lack of capital	distortions in capital markets	tax system subsidized lending monopoly policy credit guarantees
labor shortages	imperfections in labor markets	social security system social environment housing policy training and education monopoly policy
lack of premises	imperfections in property market	urban redevelopment planning regulations infrastructure investments tax system
bureaucracy and compliance costs	growth of government	simplification, exemption, changes in local taxation reorganization of central and local government
purchasing	imperfections in supplier market	monopoly policy, tax system, government "crowding out"
marketing	imperfections in seller market	monopoly policy, tax system, government "crowding out"

(adopted from Bennett and McCoshan, 1993)

Lastly, community-based economic and employment development strategy undertaken by local government to create employment

opportunities or stimulate inward investments to a particular territory through the implementation of a range of activities such as developing financing schemes which will supply seed capital for community projects, providing technical assistance and work spaces as well as facilities for small community-based enterprise activities, and integrating community-based initiatives in the overall LED strategy.

2.2.3 Administrative Reforms

Various authors have associated local government mode of internal operation to the new organizational paradigm of flexible specialization evolving in the private sector which emphasizes decentralized methods in production. This paradigm is characterized by (a) internal decentralization whereby units are created within a firm to exercise operational management control and (b) external decentralization where parts of production are contracted out to a network of subcontractors. Table 3 presents a comparative analysis of the traditional management and flexible specialization paradigms.

Table 3. New Wave Management: The '4' S Model

Element	Traditional Management	New Wave Management
Structures	bureaucratic hierarchical centralized	small core broad, flat periphery decentralized
Systems	central 'hands-on' control detailed oversight exercised through multiple tiers	performance targets cost centers, tasks and teams internal markets/trading, 'hands-off' control
Staffing	large staff corps fixed, permanent centralized bargaining	small core flexible, large periphery localized bargaining
Superordinate Structure	sound administration, legal and financial probity, professional, quantity in service delivery	flexible management, measuring output, managerial, customer- oriented, quality in service delivery

(adopted from Stoker, 1990)

In a similar vein, local government has been implementing new and different ways of working. In terms of structure, the organizational form of LED intervention, whether at the policy or operational level, varies considerably among local governments. Some handle the function within regular departments while others

have created separate units of economic development. Others establish quasi-independent development agencies in partnership with the private and community sectors. An extreme case is where local government transfers or allows the private and community sectors to totally take charge of promoting economic development in the locality. Thus, structural reforms undertaken in local government administration to implement LED strategies comes in three distinct forms: (a) establishment of partnerships with sectors outside of government, (b) debureaucratization or the shifting of responsibilities for certain activities from local government to the private or community sector and (c) creation of special units for economic development.

The second component of the local government administrative reforms that could fall within the flexible specialization framework is the new approach to procedures of operation which place a high value on organizational culture change, flexibility, and localization, (Burns et al, 1994). Organizational culture change in the local government refers to the reorientation of work values to allow for high quality service user empowerment. Flexibility of operations is where public convenience is pushed forward as the major consideration in the organization of work processes. Lastly, localization refers to the physical transfer of services from one centrally located office to dispersed areas to improve accessibility.

2.3 Analytical Framework

As earlier stated in Section 1.4, the thirty-two cases used in this study reveal, to a certain extent, global preferences for best practices to promote LED focusing on employment creation and investment generation. Using the theories and concepts described in the preceding sections of this chapter, these practices are systematically classified after which comparisons are made between developing and industrialized countries according to the following areas of concern: (a) institutional framework for LED promotion, (b) LED strategy and (c) local government administrative reforms.

2.3.1 Institutional framework for LED Promotion

The key actors in LED promotion are identified with Table 1 in Section 2.1.2 as initial frame of reference. Within the public sector, the tasks of national and local governments are delineated in consideration of the fact that both have generally different powers, resources, capacities and mandates. The private sector, on the other hand, consists of organized groups of businessmen in a locality who view LED promotion as a means by which production costs can be minimized thereby increasing their profits. Lastly, the community sector is composed of non-government and community-based organizations that generally represent and advocate for the interests of particular groups of the population of a locality.

To further contextualize the strategies undertaken by local government for LED promotion, the tasks of the aforementioned key actors are identified. These consist of (a) development planning, (b) development management, (c) fund provision, (d) production of goods, and (e) institutional support. Development planning pertains to participation in the identification, formulation and prioritization of development interventions for the locality while development management refers to the direct involvement in LED promotion through membership in policy and implementing boards/committees. Fund provision, on the hand, includes raising and mobilization of funds to finance LED interventions while the production of goods refers to the act of physically generating, delivering and maintaining these interventions. The provision of institutional support comes in the form of technical assistance, community organizing and mobilizing as well as research and development activities. In addition, there are other sector/actor-specific tasks such as labor and land provision as well as project coordination.

2.3.2 Strategies for LED Promotion

Having identified the local key actors and their respective tasks, focus is now given to the strategies undertaken by local government to promote LED. The analysis of these strategies takes off from, but is not limited to, the constraints that limit LED listed in Table 2 of Section 2.2.2. Moreover, the identification

of these strategies is based on the options espoused by Blakely (1994). As earlier mentioned, the locality development strategy centers on the built environment dimension of LED, i.e., physically upgrading an area designated for industrial/commercial use through infrastructure provision, regulation improvement, housing development and other tools. The business development strategy is aimed at increasing the demand for labor and employment by providing tools such as business assistance centers, technology and business parks, venture financing companies, group marketing systems, research and development and others in order to encourage the entry or relocation of new or existing businesses to a particular area as well as to sustain and expand existing local firms. The third strategy is concerned with modifying the human resource system in order to create or increase job opportunities for the unemployed or underemployed sector in the locality. The community-based economic and employment development strategy cuts across the first three strategies but focuses on a particular territory of a locality, usually the neighborhood or small community level.

Given the diversity of the constraints in LED promotion and the approaches available to address them, local government is expected to take on simultaneously two or more strategies at any one time.

2.3.3 Administrative Reforms

It is assumed that local government undertakes administrative reforms to complement the LED strategies it has employed. The most easily recognizable reforms are in terms of its organizational structure and procedures of operation.

As earlier stated in Section 2.2.3, structural reforms may come in three distinct and not mutually exclusive forms: (a) establishment of partnerships with sectors outside of government, (b) debureaucratization or the shifting of responsibilities from local government to the private and/or community sectors, and (c) creation of special units for economic development. In terms of operation, reforms may be manifested by: (a) changes in the organizational culture which refer to the use of user empowerment

to implement participatory approaches to LED promotion as well as the reformation of work perspectives and processes to ensure high quality service.

The sustainability of LED strategies and administrative reforms undertaken by local government can only be guaranteed by its explicit incorporation to established public documents such as development plans as well as the formulation and implementation of laws and other government regulations. Owing to its importance, the sustainability aspect is thus included in the analysis.

2.3.4 Role of Local Government in LED Promotion

Based on the trends discerned from the three classifications made, the role of local government in LED promotion is identified. This is primarily based on the LED role described by Blakely (1994): (a) entrepreneur/developer, (b) coordinator, (c) facilitator and (d) stimulator. As entrepreneur/developer, a local government takes on the full responsibility or shares in the risk in the operation of commercial activities by making available resources under its control for economic purposes. As coordinator, it ensures that all LED key actors focus their approaches and activities on common objectives and that limited resources are used in the most effective and efficient manner. As facilitator, local government provides the necessary enabling policy environment by streamlining the development process as well as improving planning procedures and zoning regulations. It also advocates for local concerns by bringing economic problems and opportunities to the attention of higher levels of government and other organizations. As stimulator, it induces the creation or expansion of economic activities through a range of initiatives such as developing brochures to building and providing industrial estates or small manufacturing workshops at reduced rents.

Chapter 3

Institutional Framework for LED Promotion

This chapter details the trends in the institutional framework for LED promotion based on the thirty-two cases from both developing and industrialized countries taken from the BPI database which, as has been mentioned in Section 1.4, reveals global preferences for the best way to solve local problems. Specifically, it identifies the local key actors with Table 1 of Section 2.1.2 as initial frame of reference, and discusses their individual tasks, with the exception of those of the local government which will be discussed in detail in succeeding chapters.

Within the public sector, the tasks of national and local governments are delineated in consideration of the fact that both have generally different powers, resources, capacities and mandates. The private sector is defined as an organized group of businessmen in a locality while in the community sector, delineation is again made to distinguish between non-government and community-based organizations.

The tasks of the aforementioned key actors consist of (a) development planning which pertains to the participation in the identification, formulation and prioritization of development interventions for the locality; (b) development management which refers to direct involvement in LED promotion through membership in policy and implementing boards/committees; (c) fund provision which includes raising and mobilization of funds to finance LED interventions; (d) production of goods which refers to the act of physically generating, delivering and maintaining these interventions; and (e) institutional support which comes in the form of technical assistance, community organizing and mobilizing as well as research and development activities. In addition, there are other sector/actor-specific tasks such as labor and land provision as well as project coordination.

3.1 Trends in Developing Countries

As shown in Table 4 in the next page, the LED key actors in

developing countries are (in decreasing order of visibility in the cases): local government (LG), community-based organization (CBO), national government (NG), non-government organization (NGO), international donor community (IDC) and the private sector (PS).

The tasks of the community-based organization is primarily on development planning as is seen in Belo Horizonte, Zhangjiagang, Hyderabad, Lake Victoria towns and Dar es Salaam as well as the provision of manpower/labor to development activities as illustrated in Anhui, Hyderabad, Naga, Soweto and dar es Salaam. It is involved in development management as manifested by its membership in the permanent commission overseeing the Agadir Shelter Upgrading Project as well as in policy making bodies in Naga, i.e., Housing and Urban Development Board and the city legislature. In the latter case, the representation in local special bodies of community-based organization is mandated under the 1991 Local Government Code of the Philippines. The community-based organization, in the form of Neighborhood Committees, also undertook environmental and infrastructure improvements as well as managed commercial facilities and services in Abidjan. Furthermore, it took charge of the operation and management of a tree nursery and the Walukuba Community Center in Jinja. The same organization is also engaged in the production of goods. For example, it collected recyclable materials as part of the integrated waste management system implemented in Belo Horizonte. It is also mandated to undertake slum redevelopment or land development projects following the formulation and implementation in Bombay of new regulations to allow alternative practices in land acquisition and development. The production of goods is further demonstrated in Abidjan where the community-based organization undertook infrastructure and environmental improvements as well as in Puerto Princesa where it took on environmental activities in line with the city's environmental protection program and national government's current thrust of engaging people's organizations in development activities (Brillantes, 1995). fund provision is demonstrated in Naga where the community-based

organization raised equity for land acquisition and in Zhangjiagang where, as a contribution to the Integrated Environmental Improvement Program, it provided its own funds for special projects such as street sculpture and public furniture.

Table 4. Key Actors in LED Promotion - Developing Countries

Cases	NG (44%)	(100%) LG	PS (28%)	NGO (39%)	CBO (78%)	IDC (39%)
<u>Brazil</u>						
Belo Horizonte		X	X		X	
Fortaleza		X		X		
<u>China</u>						
Zhangjiagang	X	X			X	
Anhui		X			X	X
<u>India</u>						
Bombay		X	X		X	X
Hyderabad		X			X	X
Tamil	X	X				
UBSP ¹	X	X		X		
<u>Ivory Coast</u>						
Abidjan		X			X	
<u>Morocco</u>						
Agadir	X	X			X	
<u>Pakistan</u>						
Karachi		X		X	X	
<u>Philippines</u>						
Puerto Princesa	X	X			X	
Naga	X	X	X	X	X	
<u>Senegal</u>						
Rifusque		X		X		X
<u>South Africa</u>						
Soweto		X			X	
<u>Tanzania</u>						
Lake Victoria towns	X	X	X	X	X	X
Dar es Salaam	X	X	X	X	X	X
<u>Uganda</u>						
Jinja		X			X	X

(N% = number of cases where actor is involved in LED promotion/total number of cases)

The second LED key actor in developing countries is the national government which, as expected, provided funds for development activities. It is involved in project management as demonstrated in the cases of Zhangjiagang, Agadir and the Lake Victoria towns as well as in coordination in Dar es Salaam's

¹ stands for Urban Basic Services for the Poor

Health Through Sanitation and Water Project. In Puerto Princesa, it provided institutional support in the form of the precedent-setting decentralization to the city government of the management of the St. Paul Subterranean River National Park boosting the latter's tourism receipts.

In promoting LED, the non-government organization is involved primarily in the provision of technical assistance and training, community organizing and mobilizing as well as in development management. The Karachi non-government organization provides an interesting case because it formulated and implemented the incremental development scheme for urban housing which is patterned after the development process of informal settlements. Upon payment of a low deposit, plots are allocated to beneficiaries who are then organized to form a joint savings account where funds for the incremental provision of infrastructure and other services are drawn from. This is a positive development considering that the country is experiencing large shortfalls in physical and social infrastructure as well as in covering the basic needs of its rapidly growing population (World Bank, 1995).

The international donor community, which is seen in an equal number of cases as the non-government organization, provides technical assistance as well as project funds for LED promotion. In the case of Uganda, the city of Guelph in Canada assisted the city of Jinja in improving public involvement in the decision making process as well as in the implementation of development activities by providing training on municipal management and local government administration. It also gave communication equipments and plumbing/carpentry tools that increased the municipality's efficiency in record keeping and significantly reduced service costs. This initiative is part of the International Partnership Program of the Federation of Canadian Municipalities.

The private sector primarily participates in development planning as is illustrated in Naga and Dar es Salaam and in development management as demonstrated in Bombay. It is also involved in the provision of institutional support through

technical assistance as is seen in Belo Horizonte and the Lake Victoria towns where it provided logistics and operational support to scavenging activities as well as consultancy services and materials for the Health Through Sanitation and Water Project respectively.

Apart from the five local key actors listed in Table 4, there are other secondary actors also involved in LED promotion. These are the academic research institute, professional association and religious organization which gave institutional support and technical assistance as well as financial institution which provided techno-financial assistance.

Table 5 shows the frequency within which specific LED tasks are performed by local key actors in developing countries.

Table 5. LED Tasks of Local Key Actors - Developing Countries

LED Actor	Dev't. Planning	Dev't. Mgt.	Fund Provision	Prod'n. of Goods ²	Inst'l. Support	Proj. Coord.	Provision of Labor	Land Provision
NG		38%	50%		12%	12%		
LG	6%	11%	39%	22%	27%			17%
PS	40%	20%			40%			
NGO	14%	43%			86%			
CBO	43%	29%	14%	29%			43%	
IDC			43%		57%			

(N% = number of times task is performed /total number of cases where key actor is involved in LED promotion)

3.2 Trends in Industrialized Countries

As shown in Table 6 in the next page, the LED key actors in industrialized countries are (in decreasing order of visibility in the cases): local government, private sector, community-based organization, national government and non-government organization.

The tasks of the private sector include production of goods as in site rehabilitation, housing construction and electric bus manufacturing; development planning and management; provision of institutional support such as the formulation of job placement and training schemes and provision of funds. There are three

² refers to collection of recyclable materials, slum redevelopment, land development and implementation of environmental protection activities

interesting cases where this sector played a significant role in LED promotion.

Table 6. Key Actors in LED Promotion - Industrialized Countries

Cases	NG (50%)	(100%) LG	PS (86%)	NGO (29%)	CBO (79%)
Australia ³	X	X	X		X
<u>Canada</u>					
Hamilton-Wentworth		X	X	X	X
Metro Toronto		X	X	X	X
Vancouver	X	X	X		X
<u>Germany</u>					
Neuss		X	X		X
Rosslau	X	X	X		
Munich		X			X
Duisburg ⁴	X	X	X	X	X
<u>Poland</u>					
Lublin		X	X		X
<u>United Kingdom</u>					
London		X		X	X
Dundee	X	X	X		X
<u>United States</u>					
Chattanooga (CNE) ⁵	X	X	X		
Chattanooga (CARTA) ⁶	X	X	X		
Brooklyn		X	X		X

In Rosslau, it cooperated with government in place marketing activities by presenting examples of "economically and ecologically balanced houses" during a national building fair which showcased housing estate models. This task is regarded as

³ integrates two cases, Northern Adelaide and Southeast Queensland, which both describe the implementation of the Better Cities Program

⁴ incorporates four cases from Duisburg: Large Cities Program, Marxloh Project, Inner Harbor Duisburg and Modernization of the City's Administration

⁵ stands for Chattanooga Neighborhood Enterprises, Inc.

⁶ stands for Chattanooga Area Regional Transportation Authority

very critical because it dramatically changed the initial public perception that there was no market for such houses in Rosslau. In the second case, the private sector in Chattanooga (CARTA) made substantial investments not only in the manufacturing of electric buses but also in research and development. Lastly, the Brooklyn case identified a group of small woodworking and cabinet making firms which formed a cooperative and worked together in converting a 19th century jute mill into a site for small business and commercial activities. This initiative has led to the tripling of employment figures and the number of business establishments in the area.

The involvement of community-based organization in LED promotion ranges from mere participation in public consultations to actual management of development projects. The latter is evident in its membership policy making bodies such as the project steering committee of Australia's Better Cities Program, Partnership Board of Dundee's Whitfield Urban Partnership Area, and in the Board of Directors of Brooklyn's Greenpoint Manufacturing and Design Center. It is likewise demonstrated in London where the community-based organization, in the form of a housing association, leased and managed an area which was developed by a non-government organization and is earmarked for housing. In addition to development planning and management, the community-based organization is also engaged in the production of goods as is shown in Lublin where it undertook housing renovation as part of the Local Initiatives Program.

The next LED key actor is the national government whose main task is fund provision as is illustrated in Australia, Duisburg, Chattanooga (CNE) and Chattanooga (CARTA). This role is quite expected since national grant-aid programs are practiced even in countries like Germany and the United States which have relatively autonomous local governments (Chandler, 1993). In two cases, Vancouver and Dundee, the national government provided technical assistance to planning activities as well as to the organization and development of housing associations/cooperatives respectively. It played a more active role by coordinating the conduct of the national building fair as a place marketing

strategy. This is justifiable on equity grounds and national government is certainly duty bound to pour investments to areas like Rosslau which used to be part of the socialist German Democratic Republic (Berentsen, 1994). It also took part in development management by being a Board member of the public-private agency which oversees the conversion of the Inner Harbor in Duisburg into a multi-functional services park that combines dwellings with work places and leisure facilities.

Like the community-based organization, the task of the non-government organization is primarily on development planning as demonstrated in Hamilton-Wentworth, Toronto and Duisburg. It played an even more significant role in London where it developed land into a mixed community as well as provided professional support and training to housing associations. This initiative is considered important because, as is specified in the case study, its success had turned around government's initial antipathy for cooperative housing arrangements.

Apart from the four LED key actors mentioned, there are some secondary actors who are also involved in LED promotion activities. These are the academic research institute, financial institution, international donor community, professional association and charitable organization. Notable among them are the international donor community as well as the financial institution and charitable organization which provided funds for Duisburg's Large Cities Project and Chattanooga (CNE) respectively. The academic research institute also made significant contributions to LED promotion by formulating training schemes under the Marxloh Project in Duisburg as well as by providing funds, participating in the creation of the "living laboratory," and fostering the design, projection and utilization of electric transit vehicles in the Chattanooga (CARTA) case.

Table 7 in the next page details the frequency within which local key actors in industrialized countries perform specific tasks relative to LED promotion.

Table 7. LED Tasks of Local Key Actors - Industrialized Countries

LED Actor	Development Planning	Development Management	Fund Provision	Production of Goods ⁷	Inst'l. Support	Project Coordination
NG		14%	57%		29%	14%
LG	29%	21%	57%	50%	21%	
PS	25%	25%	8%	33%	17%	
NGO	75%			25%	25%	
CBO	55%	36%		9%		

(N% = number of times task is performed/total number of cases where key actor is involved in LED promotion)

3.3 Differences in Best Practice: Developing vs. Industrialized Countries

What is seen in the experiences of both developing and industrialized countries confirms the view of the various authors mentioned in Section 2.1.2 that the public, private and community sectors are involved in the economic development of a locality. However, the frequency within which these actors participate in LED promotion varies across countries. Table 8 presents their ranking according to the number of times their participation in LED promotion had been mentioned in the cases used for this study.

Table 8. LED Key Actors - Developing vs. Industrialized Countries

Rank	Developing Countries	Industrialized Countries
1	CBO (78%)	PS (86%)
2	NG (44%)	CBO (79%)
3	NGO/IDC (39%)	NG (50%)
4	PS (28%)	NGO (29%)

Moreover, as shown in Table 9 in the next page, the tasks performed by each of these actors also have some differences.

National Government. The frequency of the involvement of national government in LED promotion as well as the tasks it undertook are relatively the same in both developing and industrialized countries. The difference in best practice lies in the degree of its involvement in LED promotion as is demonstrated in the significantly different figures in the

7

refers to housing construction/renovation, land development and site rehabilitation, and electric bus manufacturing

frequency within which development management and the provision of institutional support are performed by the national government in the two groups of countries. It may be surmised that the national government in developing countries is more directly involved in LED promotion while its counterpart in industrialized countries is more concerned with developing the capacity of local institutions so that they can contribute more to LED.

Table 9. LED Tasks of Local Key Actors - Developing vs. Industrialized Countries

Actor/Tasks	Developing Countries	Industrialized Countries
<u>NG</u>		
development management	38%	14%
fund provision	50%	57%
institutional support	12%	29%
project coordination	12%	14%
development planning		
development management	6%	29%
fund provision	11%	21%
production of goods	39%	57%
institutional support	22%	50%
land provision	27%	21%
	17%	
<u>PS</u>		
development planning	40%	25%
development management	20%	25%
fund provision	11%	8%
production of goods		33%
institutional support	40%	17%
<u>NGO</u>		
development planning	14%	75%
development management	43%	
production of goods		25%
institutional support	86%	25%
<u>CBO</u>		
development planning	43%	55%
development management	29%	36%
fund provision	14%	
production of goods	29%	9%
labor/manpower provision	36%	
<u>IDC</u>		
fund provision	43%	9%
institutional support	57%	

Private Sector. There are two main differences between developing and industrialized with regard to private sector involvement in LED promotion. The first one is on the frequency of its participation. As shown in Table 8, while the PS ranks first among the LED key actors in industrialized countries, it is lagging behind in developing countries. Some possible reasons that could account for its low visibility in developing countries are: (a) its potential as an important LED actor has not yet been sufficiently tapped, (b) it has limited institutional capacity to fulfill the requirements of LED promotion, (c) its composition is largely from the informal sector which, because of its nature, are seldom organized, (d) it does not see any material benefit from joining with the other sectors who are involved in LED promotion.

With regard to tasks, the private sector in both groups of countries perform activities relative to development planning and management as well as the provision of institutional support to community-based organizations. However, the private sector in industrialized countries has the additional tasks of fund provision and the production of goods. This confirms the observation that the private sector in industrialized countries is stronger and more developed institutionally than its counterpart in developing countries.

Non-Government Organization. There are some slight differences between developing and industrialized countries with respect to the tasks of non-government organization in LED promotion. As shown in Table 9, it perform traditional tasks such as providing institutional support to community-based organizations in the form of technical assistance and training in developing countries and participation in development planning in industrialized countries. However, in both groups of countries, the non-government organization has taken on non-traditional tasks: development management in developing countries and the production of goods such as land development in industrialized countries. When this development is linked to the degree of LED participation of community-based organizations, it may be surmised that non-government organizations have moved

on to other non-traditional tasks as a consequence of the relative maturity of community-based organizations

Community-Based Organization. The frequency of the involvement of the community-based organization and its tasks in LED promotion in both developing and industrialized countries are relatively the same. However, the community-based organization is seen to be more active in LED promotion and tackles two additional tasks in developing countries: labor/manpower and fund provision. With the advent of self-help approaches to development activities, the task of providing labor/manpower has become even more prevalent in these countries which are generally characterized as having surplus labor. Secondly, the task of fund provision as seen in the two cases in China demonstrates the country's thrust for self-sufficiency and its transition to being a market-based economy (World Bank, 1995).

International Donor Community. The last major difference in best practice between the two groups of countries is the active involvement of the international donor community in developing countries where it provided not only technical assistance but also project funds for LED promotion. Although its presence is also visible in Duisburg, its involvement is mainly on the provision of funds for the Large Cities Statistics Project. The higher degree of LED involvement is expected since developing countries generally have insufficient technical capability.

Chapter 4

Local Government Strategies for the Promotion of Local Economic Development

In this chapter, the LED strategies preferred by local government across developing and industrialized countries are drawn out from the thirty-two BPI cases reviewed in this study. These strategies are classified according to the constraints that limit economic growth listed in Table 2 of Section 2.2.2 and the options identified by Blakely (1994): locality development (LD), business development (BD), human resource development (HRD) and community-based economic and employment development (CBEED).

The LD strategy centers on the built environment dimension of LED, i.e., physically upgrading an area designated for industrial/commercial use through infrastructure provision, regulation improvement, housing development and other tools. The BD strategy is aimed at increasing the demand for labor and employment by providing tools such as business assistance centers, technology and business parks, venture financing companies, groups marketing systems, research and development and others in order to encourage the entry or relocation of new or existing businesses to a particular area as well as to sustain and expand existing local firms. The third strategy is concerned with modifying the human resource system in order to create or increase job opportunities for the unemployed or underemployed sector in the locality. The CBEED strategy cuts across the first three strategies but focuses on a particular territory of a locality, usually the neighborhood or small community level.

Given the diversity of the constraints in LED promotion and the approaches available to address them, local government is expected to take on simultaneously two or more strategies at any one time.

As in the preceding chapter, the differences in best practice between developing and industrialized countries are also discussed.

4.1 Trends in Developing Countries

In addressing local constraints to LED, local government in

developing countries utilize, in varying degrees, all four options espoused by Blakely (1994). Table 10 summarizes this strategies and specifies the corresponding tools/instruments used.

Table 10. LG Strategies for LED Promotion - Developing Countries

Constraints	LD (39%)	BD (28%)	CBEED (28%)	HRD (22%)
lack of premises	landbanking regulation improvement housing development		plot allocation renovation of community facilities housing regulation	
labor shortages				skills training employment scheme fund provision for the improvement of living conditions
lack of capital		livelihood loans tax break	facilitation of loan availment fund provision transfer of under-utilized public facilities and commercial premises	
supply of innovations		joint venture enterprises		
supply of entrepreneurs		business to business links		

(N% = number of cases where strategy is used/total number of cases)

In promoting LED, most of the local governments in developing countries basically utilize the LD strategy to address imperfections in the property market. Among the instruments used is landbanking as was done in Zhangjiagang, Agadir and Dar es Salaam where infrastructure investments and transport facilities were provided. In three cases, the formulation and implementation of development regulations is used as an instrument in this strategy. This is evident in Bombay where the local government formulated and implemented three development control regulations, i.e., accommodation reservation, transfer of development rights and additional floor index, to allow for alternative practices to compulsory land acquisition. Similarly, the city government of Naga also adopted various modes of land acquisition: direct purchase, land swapping, land sharing and community mortgage, in order to facilitate the transfer of

ownership from government and private landowners to individual occupants. A classic case by now is the regulation started in Tamil allowing work activities in homes and residential places. Aside from landbanking and development regulations, the other instrument used under this heading is housing development/improvement as was done in Anhui.

Both BD and CBEED strategies are utilized by local governments as is illustrated in five out of the eighteen cases from developing countries.

The BD strategy through the provision of livelihood loans was employed to address the lack of capital in both cities of Puerto Princesa and Naga in the Philippines. Similarly, assistance to start up business was demonstrated in Rifusque through municipal tax exemption. The same strategy is used by the Zhangjiagang local government to improve the supply of innovations as manifested by its establishment of joint venture enterprises with the explicit aim of acquiring new technologies and improving production systems. In the case of lack of entrepreneurs, business to business links were established by the Belo Horizonte local government by guiding the informal sector to the source of inputs.

The CBEED strategy is utilized by local governments in developing countries to correct imperfections in the property market and distortions in the capital market. Under the first heading, plot allocation to facilitate the implementation of the NGO-initiated incremental development scheme discussed in Section 3.2 and the renovation of a dilapidated center to serve as focus of community activities were used as instruments by the Karachi and Jinja local governments respectively. Another instrument used was housing legalization as illustrated in Fortaleza where the development of a self-help resettlement area was facilitated. As an effort to address problems with regard to the capital market, facilitation of loan availment is used as an instrument in both Hyderabad and Karachi. In the case of Abidjan, the local government provided seed capital for the launching of community-based initiatives as well as transferred to the Neighborhood Committees public facilities that can be operated on profit and

commercial premises which can be leased to diversity sources of revenue.

Local governments in developing countries also employed the HRD strategy to correct imperfections in the labor market through the provision of skills training as demonstrated in Jinja and India's UBSP. Soweto presents an interesting case where, in an effort to generate as many jobs as possible, the local government not only linked communities to contractors for employment and skills training, but also prioritized construction projects that require manual labor to ensure the continuity of jobs. In the case of the Lake Victoria towns in Tanzania, the instrument used was fund provision to cover 3-5 percent of the budget of the nationally-coordinated Health through Sanitation and Water Project which aims to improve the health conditions of people so that they can actively participate in economic activities.

4.2 Trends in Industrialized Countries

The main challenges faced by local governments in industrialized countries are: lack of premises, labor shortage, lack of capital and supply of innovations. There is one other constraint that has surfaced from the cases which is not included among those listed in Table 2 of Section 2.2.2. This gap has to do with the mobility of business firms and the need for local government to find ways of attracting, creating or retaining them by providing a good business climate.

Table 11 in the next page summarizes the strategies used by local governments in industrialized countries. It should be noted that although HRD is also employed as a strategy, it was only done on a neighborhood scale.

In six out of the fourteen cases from industrialized countries, the LD strategy was utilized by local government also through landbanking to correct imperfections in the property market. This is seen in Australia and Neuss where focus was given to urban redevelopment by providing infrastructure investments that link housing, transport, employment and community services as well as in Munich where land was developed for industrial purposes. In the case of Chattanooga, the CARTA

operated the electric shuttle system that connects intercept garages at key entrances of the city with downtown destinations. Another instrument under this strategy is regulation improvement as illustrated in Hamilton-Wentworth where, upon the recommendation of a citizens' Task Force, planning regulations were enhanced by incorporating sustainable development principles in development activities. The LD strategy is also used to fill in the supply of innovations as was done by the Rosslau local government which conducted, with the assistance of national government, a national building fair showcasing "economically and ecologically balanced" housing estate models.

Table 11. LG Strategies for LED Promotion - Industrialized Countries

Constraints	LD (43%)	BD (29%)	CBEED (57%)	HRD (0)
lack of premises	landbanking regulation improvement		landbanking housing development/ legalization shopsteading	
labor shortage			employment and qualification scheme capability-building	
lack of capital		tax break		
supply of innovation	national building fair	research and development		
mobility of firms		business park trade fair center		

(N% = number of cases where strategy is used/total number of cases)

The BD strategy is used in four out of the fourteen cases from industrialized countries. As a way of addressing distortions in the capital market, the Lublin LG granted a 3-year property tax exemption to encourage investors to engage in building rehabilitation. On the other hand, CARTA in Chattanooga improved the supply of innovations by promoting and providing assistance in research and development to the Advance Vehicle Systems, Inc., a start up electric bus manufacturing company. This strategy is also demonstrated by the Munich and Duisburg local governments which resolved the issue of firm mobility by following the basic principles of location theory and agglomeration economics, i.e., construction of the New Trade Fair Center and development of a business park respectively.

In eight out of the fourteen cases from industrialized countries, local government interventions in LED are centered at

the neighborhood level. Consequently, the CBEED strategy is utilized focusing on correcting imperfections in the property market primarily through landbanking. The Metro Toronto local government, for example, formulated and implemented, with the help of non-government organizations, the mainstreet concept which is characterized by (a) well-served transit on major streets, (b) continuous building facades with an intersperse of parks and public spaces, and (c) mid-rise housing over commercial establishments. Similarly, the Vancouver local government designed and implemented high density communities which is typified by accessibility to services and shopping areas thus lowering the dependence on the use of cars. It also negotiated with private landowners for the public use of some waterfront corridors. In the case of London and Chattanooga (CNE), the local government provided funds for housing development. On the other hand, the Lublin local government, which has just acquired responsibility for providing local public service including housing under the Local Government Act and Local Government Duties and Powers Act (Bennett, 1994), regularized unauthorized buildings to provide security of tenure to residents. Another instrument under the CBEED strategy used to address the lack of premises is shopsteading and is illustrated in Brooklyn where the local government sold a 19th century jute mill complex to the Greenpoint Manufacturing and Design Center, an organized group of small woodworking and cabinet making firms, which then rehabilitated and used it as site for small business and commercial activities. The CBEED strategy is also employed to address labor shortages in Duisburg where the local government launched employment and qualification schemes for the unemployed in the neighborhood as well as in Dundee where it conducted capacity building activities to upgrade steering groups of residents into cooperatives and housing associations.

4.3 Difference in Best Practice: Developing vs. Industrialized Countries

Local governments in developing and industrialized countries face similar major constraints that limit the growth of their respective localities, i.e., lack of premises, lack of capital,

supply of innovations and labor shortage. Each group of countries has an additional constraint that is not shared with the other: (a) supply of entrepreneurs in developing countries and (b) mobility of business firms in industrialized countries.

As shown in Table 12, developing and industrialized countries utilize LD, BD and CBEED strategies to address these constraints. The HRD strategy is also used in both groups of countries. There is a difference however in the scale within which this strategy is applied, i.e., in developing countries, the coverage is city/town-wide while in industrialized countries, it is done only a neighborhood scale.

Table 12. LG Strategies for LED Promotion - Developing vs. Industrialized Countries

Strategies/Instruments	Developing Countries	Industrialized Countries
Locality Development	(39%)	(43%)
landbanking	X	X
regulation improvement	X	X
housing development	X	
national building fair		X
Business Development	(28%)	(29%)
tax break	X	X
small livelihood loans	X	
joint venture enterprises	X	
research and development		X
business-to-business links	X	
business park		X
trade fair center		X
Community-Based Economic and Employment Development	(28%)	(57%)
landbanking	X	X
regulation improvement	X	X
housing development		X
shopsteading		X
loan facilitation	X	
fund provision	X	
transfer of public facilities	X	
employment schemes		X
capability building		X
Human Resource Development ¹	(22%)	
skills training	X	
employment schemes	X	
improvement of health conditions	X	

The diversity in the LED interventions of local government across countries generally surfaces when the specific instruments used are compared.

LD. Local governments in both groups of countries make use of landbanking and regulation improvement as instruments when

¹ also used on a neighborhood scale in industrialized countries

implementing the LD strategy to address the lack of premises. In the case of Anhui, housing development is used as an additional tool, but this was done under special circumstances, i.e., as a component of a program implemented to rehabilitate and reconstruct areas affected by heavy flooding in 1991. Similarly, the conduct of the national building fair in industrialized countries is also a special tool employed to develop former socialist German Democratic Republic areas, like Rosslau, which are lagging behind in terms of economic growth with the rest of Germany (Berentsen, 1994).

BD. The only similarity found in the LED practices of both developing and industrialized countries is the granting of tax breaks to stimulate potential investors to engage in business as demonstrated in Rيفisque and Lublin. With the exception of joint venture enterprises done in Zhangjiagang, the rest of the instruments used by developing countries, i.e., provision of small livelihood loans and business to business links, are mainly geared towards encouraging and supporting small entrepreneurs. On the other hand, the remaining tools used in industrialized countries: research and development, business park and trade fair center, require massive public investments. The explanation for the difference in tools between the two groups of countries is obviously affordability on the part of local governments.

CBEED and HRD. The most glaring difference that can be observed at the outset is the higher frequency of use of the CBEED strategy in industrialized countries. This is partly illustrated in the wide array of instruments used to solve problems of lack of premises by local governments in these countries which include not only landbanking and regulation improvement but also housing development and shopsteading. In addition, tools for human resource development are also applied on a neighborhood scale.

The possible explanation for this phenomenon can be traced to the concept of economies of scale, i.e., it would be more efficient to target particular LED interventions to specific areas/sectors especially if such are relatively small compared to the overall city/town-wide population. The same explanation

holds true to the city/town-wide application of LED interventions in developing countries where most areas remain relatively underdeveloped.

Chapter 5

Administrative Reforms

This chapter discusses the administrative reforms, particularly changes in the structure and procedures of operation, undertaken by local government vis-a-vis the strategies/instruments it has used for LED promotion. The data used in this chapter is generated from selected cases of the BPI database which is an important source of information of what is actually happening in the local scene of both developing and industrialized countries.

As earlier stated in Section 2.2.3, structural reforms may come in three distinct and not mutually exclusive forms: (a) establishment of partnerships with sectors outside of government, (b) debureaucratization or the shifting of responsibilities from local government to the private and/or community sectors, and (c) creation of special units for economic development. In terms of operation, reforms are manifested by: (a) changes in the organizational culture which refer to the use of user empowerment to implement participatory approaches to LED promotion as well as the improvement of work perspectives and processes to ensure high quality service.

The sustainability of LED strategies and administrative reforms undertaken by local government can only be guaranteed by its explicit incorporation to established public documents such as development plans as well as the formulation and implementation of laws and other government regulations. Owing to its importance, the sustainability aspect is thus included in the analysis.

As in the preceding chapters, the differences in practice between developing and industrialized countries is also presented and discussed.

5.1 Trends in Developing Countries

5.1.1 Structural Reforms

As shown in Table 13 in the next page, local governments in developing countries, in implementing their LED strategies, undertook structural reforms like the establishment of

partnerships, debureaucratization, and the creation of internal economic development units.

Table 13. Structural Reforms - Developing Countries

Strategy/ Instruments	Partnership (17%)	Debureaucratization (83%)	Internal Unit (39%)
<u>LD</u> landbanking	public-private-community partnership public-community partnership	infrastructure upgrading to CBO solid waste management to PS	Housing and Urban Development Board
development regulation		land/slum (re)development to PS/CBO house-cum-work area construction to techno- financing institution	committee to oversee the implementation of slum/land (re) dev't. scheme
housing development			inter-agency Home Reconstruction Office
<u>BD</u> livelihood loans		environmental protection activities to CBO community organizing and social preparation of beneficiaries to NGO	Cyanide Detection Test Laboratory
tax exemption		solid waste management to NGO	
business-to- business links		waste collection to CBO	Assessoria of Mobilizacao Social
<u>CBEED</u> plot allocation		incremental infrastructure service provision to CBO	
renovation of community center	public-private-community partnership	operation of community center to CBO	
facilitation of loan availment		skills training to NGO	project unit
seed capital		community services to CBO	
development regulation		settlement development and management to NGO	
transfer of under-utilized public facilities and commercial premises		income generating operations to CBO	
<u>HRD</u> skills training		construction work to community contractors community development to women's organization	urban poverty alleviation committee
improvement of living conditions		development planning to CBO	

(N% = number of cases where reform is undertaken/total number of cases)

As part of the LD strategy, partnerships have been

established by three local governments in the developing countries. In Dar es Salaam, the local government established a partnership with the private sector and non-government organization to prepare and implement action plans for the foreign-funded sustainable development project of the city. In the case of Agadir, the partnership established was with national government and community-based organization in an effort to upgrade existing sub-standard houses. The national government of Morocco managed the shelter upgrading project, the local government provided serviced lots for home construction and participated in project monitoring, and the community-based organization provided labor/manpower. Jinja, on the other hand, established two kinds of partnerships. One was with the city of Guelph, Canada, for the purpose of institutional development particularly through training on municipal management and enhancement of community involvement in development activities. The other partnership called the Jinja Development Consultative Forum Committee was forged with the private and community sectors for the purpose of formulating policy recommendations and public participation in local governance.

In fifteen out of the eighteen cases from developing countries, debureaucratization is an integral part of the LED strategies undertaken by local governments. This involves the decentralization of the following tasks: (a) small infrastructure services to community-based organizations in Karachi, Dar es Salaam and Soweto; (b) solid waste collection/management to non-government sectors in Dar es Salaam, Rيفisque and Belo Horizonte; (c) land/housing development to non-government sectors as demonstrated in Fortaleza, Bombay and Tamil; (d) development planning, environmental protection and income generating activities to community-based organizations in the Lake Victoria towns, Puerto Princesa and Abidjan respectively; and (e) institutional support to non-government and community-based organizations as is illustrated in Naga, Jinja, Hyderabad, Abidjan and India (UBSP).

Special economic development units within the local government organization were also created across strategies in

seven out of eighteen cases. Foremost among them is the Naga City Housing and Urban Development Board, a policy-setting local body on housing matters which was created to support and guide the land acquisition strategies formulated by the local government. The other special internal units created in Bombay, Anhui, Belo Horizonte, Hyderabad and India (UBSP) performed tasks relative to the coordination of the planning and implementation of LED objectives and strategies. In the case of Puerto Princesa, a Cyanide Detection Test Laboratory was installed to scientifically determine if fish were caught by illegal means. The task of this unit complements the environmental protection activities of the city government.

5.1.2 Operational Reforms

In support of their LED strategies, local governments in developing countries exhibited primarily organizational culture change as well as some localization of services and flexibility of operations.

Table 14. Operational Reforms - Developing Countries

Strategy	Organizational Culture Change (61%)	Flexibility (22%)	Localization (22%)
LD	user empowerment investment targeting computerization of records	flexibility in the adoption of fund management schemes	on-site reconstruction officer
BD	user empowerment	periodic project assessment	
HRD	investment targeting	waiver of requirements for sureties of new community contractors	field social worker on-site deputy clerk
CBEED	user empowerment	simplified one-window bureaucratic procedures flexibility in application of building standards	municipal field officer
HRD skills training	client-centered approach prioritization of construction project requiring manual labor	waiver of requirements for sureties of new contractors	field officer to mobilize community on-site deputy clerk

(N% = number of cases where reform is undertaken/total number of cases)

User empowerment in the form of participatory approaches to planning and project implementation is the recurring theme in the organizational culture change across strategies employed by local governments in developing countries. This is evident in Zhangjiagang, Naga, Fortaleza, Dar es Salaam, Belo Horizonte,

Hyderabad and Abidjan. The second recurring theme is work improvement through the targeting of investments as is demonstrated in the LD strategy used by the Zhangjiagang, Anhui, Agadir and Dar es Salaam local governments. This is likewise illustrated in the Lake Victoria towns where the local government provided 3-5 percent of the total budget of the national government-initiated Health Through Sanitation and Water project. In the case of Jinja, organizational culture change came with the computerization of records which led to more efficiency in local government administration.

Flexibility of operation is demonstrated in only four cases: Anhui, Senegal, Karachi and Soweto. In the first case, the local government in Anhui demonstrated flexibility in the management of funds and provided innovative methods, e.g., "one principal - four subsidiaries," "five households - one account," etc. to partially address the shortage of funds needed for post-disaster reconstruction work. In the case of Senegal, flexibility in operations is illustrated in the periodic assessments conducted which formed the basis for adjustments in project implementation whereas in Karachi, building standards were applied in a flexible manner to facilitate housing development for the urban poor. Lastly, the Sowetan local government also demonstrated flexibility by waiving the surety requirements for contractors who will utilize manual methods and hire community laborers.

Localization of service delivery was also undertaken by four local governments out of the eighteen from the developing countries. This is demonstrated in Anhui, Pakistan, Hyderabad and Uganda where municipal officers were posted in the field to coordinate project/program implementation.

5.1.3 Sustainability of Best Practices

The sustainability of LED strategies and administrative reforms is guaranteed if such are formalized or contained in national or local laws and regulations. In the Philippine case, both the environmental protection activities and user empowerment are mandated by national laws. These laws are: (a) Republic Act

7611 or the Strategic Environmental Plan for Palawan¹, and (b) Republic Act 7160 otherwise known as the 1991 Local Government Code. In China, the Anhui Administrative Regulations on Rural Planning and Reconstruction as well as the Provincial Formulation Plan on Rural Construction Planning formalized the unified management and coordination strategy for post-disaster reconstruction. In the case of India, the development control regulations mentioned in Section 4.1 had been passed in 1991 and are now being implemented.

5.2 Trends in Industrialized Countries

5.2.1 Structural Reform

The structural reforms undertaken by local governments for LED promotion are the establishment of partnerships with the non-government sector, debureaucratization and the creation of internal economic development units. Table 15 in the next page classifies these reforms vis-a-vis LED strategies used by local governments in industrialized countries.

Partnerships with the non-government sector were formed in nine out of the fourteen cases from industrialized countries. This is demonstrated in the LD strategy of Neuss and Australia where partnerships with the private sector were forged that will oversee landbanking activities. In the case of Rosslau, the same partnership, this time including national government, worked for the success of the national building fair. The CARTA in Chattanooga also forged a partnership with the Advance Vehicle Systems Inc. and Electric Transit Vehicle Institute to create a "living laboratory" which offers methods for testing and supporting the development of the electric bus shuttle system. In the case of Duisburg, two types of partnerships were formed: (a) with the private sector in the development of a business park under the Inner Harbor Project and (b) with the private and community sectors for the implementation of employment and qualification schemes under the Marxloh Project. Partnerships with the private sector were also forged by local governments

¹ Philippine province where Puerto Princesa is a component city

which used the CBEED strategy. This is illustrated in Metro Toronto and Lublin where the mainstreet concept as well as infrastructure and environmental improvements were implemented respectively.

Table 15. Structural Reform - Industrialized Countries

Strategy/Instrument	Partnership (64%)	Debureaucratization (36%)	Internal Unit (14%)
<u>LD</u> landbanking	public-private partnership steering committee	housing construction to PS	
regulation improvement		development planning to citizens' Task Force	steering committee
national building fair	public-private partnership		
<u>BD</u> business park/trade fair center	public-private agency		"entrepreneurial group"
research and development	public-private partnership		
<u>CBEED</u> landbanking	public-private partnership	development planning to NGO	
housing development	public-private enterprise	land/housing development and management to PS/NGO/CBO	
shopsteading		site rehabilitation, ownership and management to PS	
employment and qualification scheme	public-private-community liability company Partnership Board		

In the case of Chattanooga, the CNE was created by both the local government and the private sector for housing development. The same thing existed in Dundee where a Partnership Board was formed composed of the public, private and community sectors to undertake capability-building activities.

Debureaucratization was seen in five out of the fourteen cases from industrialized countries with the local government transferring to the non-government sector mostly the functions of development planning and housing development. This is well illustrated in Brooklyn which, as stated in Section 4.2, implemented the BD strategy with the use of shopsteading as instrument. In this case, site rehabilitation as well as ownership and management of the former jute mill complex was transferred by local government to the private sector.

In two out of the fourteen cases, local governments in industrialized countries created special units within the bureaucracy to undertake LED promotion. An example of this is the co-called "entrepreneurial group" in Munich which was primarily in charge of the Messesstadt-Riem project that involved the construction of the trade fair center and the development of industrial premises as well as new housing areas. In the case of Duisburg, an internal steering committee was created to initiate and supervise the modernization of the city's administration.

5.2.2 Operational Reform

In terms of operational reform, local governments in industrialized countries give great importance to organizational culture change.

Table 16. Operational Reform - Industrialized Countries

Strategy	Organizational Culture Change (79%)	Flexibility (29%)	Localization (21%)
CBEED	user empowerment investment targeting	flexible interpretation of rules re: grant provision	on-site project unit
BD	user empowerment reorientation of financial controls		
LD	user empowerment investment targeting cost recovery perspective adoption of sustainable development principles in work activities	elimination of bureaucratic barriers adaptability to technology-induced changes	on-site information officer project coordinating team

(N% = number of cases where reform is undertaken/total number of cases)

The dominant theme in organizational culture change occurring within the local government organization, regardless of the LED strategy used, is user empowerment. This is manifested by participatory approaches to development planning as is illustrated in the CBEED strategy employed by the local governments in Toronto, Vancouver, Chattanooga (CNE) and Dundee; the BD strategy in Munich; and the LD strategy in Neuss and Australia. Aside from user empowerment, work within the local government has become more focused with the targeting of investments that complemented not only the CBEED strategy used in Lublin, Chattanooga (CNE) and Dundee but also the LD strategy

in Neuss. In Duisburg where the local government has launched a program to modernize its administration, the reorientation of financial controls was undertaken in line with its LD strategy. This is characterized by decentralized and specific action resource as well as commercial budgeting and accounting systems. Another interesting case that illustrates a change in the organizational culture of local government is seen in Chattanooga (CARTA) with the adoption of a cost recovery perspective. The best practice here is the utilization in the operational requirements of the electric shuttle system of revenues from parking facilities at key entrances in the city. The last illustrative case is the local government in Hamilton-Wentworth which, as earlier mentioned, incorporated sustainable development principles in development activities upon the recommendation of a citizens' Task Force.

Another recurring theme in the operational reforms administered by local governments in industrialized countries is flexibility in operations. This is illustrated in London where rules regarding grant provision are applied in a flexible manner in order to make available to non-government organizations sufficient funds for housing development. Flexibility in operations is also seen in the Marxloh Project of Duisburg with the monitoring of the status of general education and vocational training in the face of social structural change which serves as guide for local government in the formulation of employment and qualification schemes. It is likewise demonstrated in Australia where "bureaucratic barriers" are eliminated in line with the LD strategy of urban redevelopment. Another case is CARTA in Chattanooga which undertook changes in scheduling, marketing and support facilities as a result of technological change from the use of conventional transportation system to the electric bus shuttle.

Localization of services is applied by local government in industrialized countries when undertaking the CBEED and LD strategies. This is demonstrated in Duisburg where an on-site project unit was deployed in line with the formulation of employment and qualification schemes for the community as well

as in Neuss and Rosslau which both posted on-site teams to coordinate housing development activities and preparations for the national building fair respectively.

5.2.3 Sustainability of Best Practices

The sustainability of LED strategies and administrative reforms in five out of fourteen industrialized countries is guaranteed by government regulations and development plans. For example, citizen participation in the planning process of London and Dundee is mandated under the 1992 Local Government Act of the United Kingdom. In the case of Hamilton-Wentworth, the incorporation of sustainable development principles in planning and implementation activities is specified in various policy documents including the Regional Council Act, revised Land Use Plan and the Strategic Plan for Long Term Economic Development. In Neuss, a local government regulation was passed to allow the assessment of private land at a "land influenced by city planning rate" and the "siphoning off" of profits derived from housing development to further investments in the same area. Lastly, the Act for Support in Local Initiatives was passed in Lublin to regulate the sharing with the private sector of investment costs and arrangements in infrastructure development. This is in addition to the inclusion in the urban development plan of the regularization of houses in illegally-subdivided parcels of land.

5.3 Differences in Best Practice: Industrialized vs. Developing Countries

5.3.1 Structural Reform

As shown in Table 17 in the next page, there are more similarities than there are differences in the structural reforms undertaken by local governments in both developing and industrialized countries to complement their strategies for LED promotion. However, when the aforementioned reforms are ranked according frequency of use, major differences in local government practices surfaced as seen in Table 18 in the next page.

First, while the establishment of partnership with non-government sectors ranks high in industrialized countries, such

is not the case in developing countries. This can be traced to the relatively low LED involvement of private sector in developing countries discussed in Section 3.3.

Table 17. Structural Reform - Developing vs. Industrialized Countries

Strategy	Developing Countries	Industrialized Countries
Locality Development	internal economic development unit public-private partnership debureaucratization	internal economic development unit public-private partnership debureaucratization
Business Development	internal economic development unit debureaucratization	internal economic development unit public-private partnership debureaucratization
Human Resource Development	internal economic development unit debureaucratization	
Community-Based Economic and Employment Development	internal economic development unit public-private partnership debureaucratization	public-private partnership debureaucratization

Table 18. Structural Reform Ranked According to Frequency of Use - Developing vs. Industrialized Countries

Rank	Developing Countries	Industrialized Countries
1	debureaucratization (83%)	public-private partnership (64%)
2	internal economic development unit (39%)	debureaucratization (36%)
3	public-private partnership (17%)	internal economic development unit (14%)

Secondly, debureaucratization is more widely used in developing countries than it is in industrialized countries. Two factors could account for this observation. One is that local government in developing countries generally have limited financial resources thus the transfer of development activities to non-government sectors is prevalent. The other factor is that decentralization to the market is contained in most structural adjustment programs which these countries are currently undertaking.

The third difference is in the degree of importance given to the creation of special economic development units within the local government organization. The incidence of such creation is significantly higher in developing countries than it is in industrialized countries.

5.3.2 Operational Reform

As shown in Table 19 in the next page, there are also more

similarities than differences between industrialized and developing countries in the LG operational reforms undertaken to implement the LED strategy. Both groups of countries undertook common activities that are geared towards participatory approaches to development activities, flexible forms of management and work organization as well as localization of services. This implies that the new organizational paradigm of flexible specialization is rapidly gaining grounds across countries.

Table 19. Operational Reforms - Developing vs. Industrialized Countries

Operational Reform	Developing Countries	Industrialized Countries
organizational culture change	(61%) user empowerment investment targeting computerization of records	(79%) user empowerment investment targeting reorientation of financial controls sustainable development principles in work activities
flexibility	(22%) waiver of requirements to sureties of new community contractors simplified one-window bureaucratic procedures periodic project assessment flexibility in adopting new fund management schemes appropriate to disaster areas	(29%) flexible interpretation of rules re: grant provision elimination of bureaucratic barriers monitoring of socio-economic conditions adaptability to technology-induced changes
localization	(22%) reconstruction officer social worker deputy clerk municipal field officer	(21%) project unit information officer

There are some minor differences in the way changes in the organizational culture of local government organization are occurring. For one thing, computerization of records, which has been a long time practice in industrialized countries, is just being introduced in local governments in some developing countries like Jinja. Secondly, some local governments in industrialized countries are starting to adopt sustainable development principles in work activities as well as financial controls in the form of decentralized and specific action resource control and commercial budgeting and accounting systems.

On the whole, the frequency within which operational reforms are undertaken is slightly higher in industrialized than developing countries. This does not mean however that local

governments in developing countries are lagging behind in terms of adopting reforms to complement their LED strategies. Rather, the leadership of industrialized countries in this matter is seen as a consequence of being where new technologies and principles/ systems such as sustainable development and commercial budgeting evolve from.

Chapter 6 Synthesis

In this concluding chapter, the role of local government in LED promotion is drawn out from the synthesis of the findings presented in Chapters 3, 4 and 5. The definition and indicators used in coming up with these roles are based on Blakely (1994). As stated in Section 2.3.4, the roles which local government can play in LED, either one at a time or simultaneously are: (a) entrepreneur/developer, (b) coordinator, (c) facilitator and (d) stimulator. As entrepreneur/developer, a local government takes on the full responsibility or shares the risk in the operation of commercial undertakings by making available resources under its control for economic purposes. As coordinator, it ensures that all LED key actors focus their activities on common objectives and that limited resources are used in the most effective and efficient manner. As facilitator, local government provides the necessary enabling policy environment by streamlining the development process and improving planning procedures and zoning regulations. It also advocates for local concerns by bringing economic problems and opportunities to the attention of higher levels of government and other organizations. As stimulator, it induces the creation or expansion of economic activities through a range of initiatives such as developing brochures to building and providing industrial estates or small manufacturing workshops at reduced rents.

As a final note, some emerging tasks directed at enhancing LED promotion activities of local governments in developing countries are presented at the end of this chapter.

6.1 The Emerging Role of Local Government in LED Promotion

This study has focused on the subject of LED promotion and local government administration using cases from a valuable data source, the BPI database, which reflects global preferences for, among others, the best approaches to address local problems.

The study has given a view of the existing best practices for the institutional framework of economic development at the local level in both developing and industrialized countries.

Topping the list of LED actors in developing countries are the local government and community-based organization. The local government plays predominantly an enabling role, mainly providing funds, land and various forms of institutional support to other key actors in the locality. It is also involved in the production of goods as well as in development planning and management. The community-based organization participates in development planning and management, provides labor and produces goods as in the collection of recyclable materials as well as the undertaking of slum/land (re) development and environmental activities. To a limited extent, it also raises and mobilizes its own funds. Other key actors in developing countries include the national government, non-government organization and the international donor community. The primary tasks of the national government are fund provision and development management. It is also involved in project coordination and the provision of institutional support for LED. The tasks of the non-government organization is centered on providing institutional support to community-based organizations. It also participates in development planning and management. Unexpectedly, the international donor community also emerged from the BPI cases as an equally important key actor whose task is on the provision of technical assistance as well as LED project funds. At the bottom of this list of actors is the private sector which provides the logistics and operational support as well as participated in development planning and management.

In the case of industrialized countries, the primary actors in LED promotion are the local government, private sector and community-based organization. The local government provides funds and actively generates LED interventions for its locality. It is also involved in development planning and management as well as in the provision of institutional support to other LED key actors. In contrast to what is happening in developing countries, the private

sector in industrialized countries actively participates in LED promotion. Its primary task is the production of goods as in site rehabilitation, housing construction and electric bus manufacturing. It is also involved in development planning and management, provision of institutional support and, to a limited extent, fund provision for LED provision. On the other hand, the community-based organization, although similarly visible in development activities as its counterpart in developing countries, plays a less active role. Its contribution to LED promotion is primarily participation in development planning and management and, to a limited extent, the production of goods. The other key actors in industrialized countries are the national government and non-government organization which both provide institutional support for LED promotion. The other tasks of national government are fund provision, development management and project coordination while those of the non-government organization are development planning and the production of goods as in land development.

This study also detailed the strategies employed by local government for LED promotion by discerning trends from cases of both developing and industrialized countries. As outlined in Table 12 of Chapter 4, these strategies are focused on locality development, community-based economic and employment development, business development and human resources development. The range of instruments used under these strategies which are common to both developing and industrialized countries include landbanking, regulation improvement, housing development, tax breaks, employment schemes, skills training and capability building activities. An additional instrument used by developing countries is the establishment of joint venture enterprises as a way of establishing new technology and improving production systems. The other tools which are uniquely practiced by local governments in developing countries are basically enabling in nature. These are the provision of small livelihood loans, transfer of under-utilized public facilities and commercial premises to community-based organization as well as fund provision for the improvement of the

health conditions of potentially productive people in the locality. In the case of industrialized countries, the remaining instruments, with the exception of shopsteading or the sale of abandoned shop facilities to businessmen who will renovate and use them for commercial purposes, also stimulate economic activities but require massive public investments coming from both local and national government. These are the involvement in research and development activities as a way of supporting new technology, the conduct of a national building fair as well as the development of a business park and trade fair center.

Concomitant with these strategies, this study also drew out from the BPI cases reforms taken on within the local government organization in both developing and industrialized countries. In terms of structure, these countries undertook, in varying degrees, debureaucratization or the shifting of responsibilities to non-government sectors, the creation of internal economic development units and the establishment of public-partner partnerships. Operationally, the principle of flexible specialization is being taken on across countries as was seen in the trends showing reforms geared toward participatory approaches to development activities, flexible forms of management and work organization as well as localization of services.

Based on the foregoing, what emerges is a local government, whether in developing and industrialized countries, which takes on the principal role of stimulating economic activities as well as other roles: facilitator, coordinator and entrepreneur/developer.

Local Government as Stimulator. As a means to promote LED, local government induces the creation or expansion of economic activities through a range of activities drawn out from the strategies and instruments listed in Chapter 4. These include landbanking and housing development, provision of funds and tax breaks as well as the formulation of employment schemes, skills training and capability-building activities. In the case of developing countries, additional initiatives illustrated in the BPI cases are loan provision and various forms of institutional

support; transfer of under-utilized public facilities and commercial facilities that can be operated on profit by potential entrepreneurs; and the improvement of the health condition of potentially productive members of the community. In industrialized countries, stimulation of economic activities is also undertaken through shopsteading.

Local Government as Facilitator. The facilitating role of local government is demonstrated in both developing and industrialized countries. Facilitation is done not only by the enactment of ordinances and improvement of local regulations to give legitimacy and ensure the sustainability of development activities, but also by streamlining the development process through structural and operational reforms within the local government organization.

Local Government as Coordinator. The coordinating role of local government in developing and industrialized countries is largely evident in the current practice of creating internal economic development units that organize LED promotion for key actors in the locality and ensure that their activities are at all times guided by the common objectives they have initially set.

Local Government as Entrepreneur/Developer. The role of local government as entrepreneur/developer in both developing and industrialized countries emerges only in very special cases as in technology change and technology acquisition involving huge investments as well as in addressing the problem of mobility of firms.

In conclusion, it might be said that the local government can take on a variety of roles in LED depending on its capability to use the resources available at its disposal. These roles however are more in the category of a mediator or broker than being directly a producer of jobs and investments.

6.2 Emerging Tasks for Local Governments in Developing Countries

In any comparative study involving a number of country cases such as this one, the dilemma faced by the researcher is always how

to strike a balance between forming generalizations that would form the basis for the transfer of knowledge and techniques across countries, and concentrating on culturally-specific factors that will discourage possible mutual interchanges. In line with the recent trend in social science research to devote greater attention to the impact and importance of contextual factors, generalizations of findings is done very sparingly in this concluding section of the study. Instead, insights are provided on lessons learned from the comparisons made between developing and industrialized countries, and tasks directed at enhancing LED promotion activities of local governments in developing countries are identified.

One important lesson that can be derived from this study is that western-prescribed LED strategies can only be applied selectively by local government in developing countries. For reasons of affordability, it will have to spend considerable time to assess the viability of undertaking instruments such as research and development activities to induce technology change as well as the establishment of business park and trade fair center that will largely benefit only the big businessmen. Its resources may be better spent if used to focus on other sectors such as small entrepreneurs which have a relatively low financial requirement but a has a high potential contribution to LED.

Relatedly, local government in developing countries may also have to use the CBEED strategy sparingly because of diseconomies of scale considering that most parts of its jurisdiction are generally underdeveloped.

Another related task linked to LED strategies has to do with the emergence of the international donor community as a key actor in the promotion of economic development in localities of developing countries. While the technical assistance it provides is considerably valuable, local government must endeavor to prioritize human resources development to lessen the dependence on foreign assistance.

With regard to structural and operational reforms, the openness and flexibility of local government in developing

countries to accept new forms of management and administrative systems is a positive sign. This attitude should be maintained as it is one way by which local government can catch up with more developed localities or even with its counterparts in industrialized countries.

Turning to potential local government tasks vis-a-vis other local key actors, more attention should be given to stimulating or initiating the organization and development of the private sector in its locality. The local government should make local businessmen realize that they can maximize the use of their resources by forming one solid group in the locality.

Lastly, the community sector in developing countries is currently performing meaningful tasks in promoting LED. Relative to this, local government should continue to engage the participation of this sector in development activities as it puts forward consumer preferences and serves as a link to the larger segment of the population.

As a final note, it is important to bear in mind that whatever role local government adopts, the ultimate success of LED promotion would largely depend on the mix and interaction of the various sectors involved. Therefore, it would be in the best interest of local government to also develop the capacities and empower these sectors so that they can participate actively in LED activities.

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ANNEX I

BEST PRACTICES DATABASE¹

SELECT RECORDS BY PROJECT INITIATIVES

The urban solutions in our database address many issues of concern. To help identify common areas, we've divided the solutions by Project Initiative, and then further by subinitiative. Each organization submitting a record to the database was asked to choose up to three main initiatives from the following list. Within the main initiatives, they could choose as many subinitiatives that applied. To view records by initiative or subinitiative, choose one of the descriptions below.

A. Poverty Eradication

1. income generation
2. job creation
3. vocational training
4. credit access

B. Economic Development

1. enterprise development (formal and informal sectors)
2. investment development
3. capital formation
4. entrepreneurship

C. Social Services

1. education
2. recreation
3. youth and children
4. health and welfare
5. vulnerable groups
6. public safety
7. crime reduction and prevention

D. Environmental Protection

1. pollution reduction
2. urban greening
3. use of technology
4. environmental remediation
5. environmental health
6. monitoring and control

¹ adopted from [HTTP://OBOE.SYMGRP.CO.../HTML/INITIATIVE.HTML/](http://OBOE.SYMGRP.CO.../HTML/INITIATIVE.HTML/)

E. Infrastructure

1. energy: use and production
2. transportation: access to
3. communications: access to
4. safe water provision
5. sanitation
6. waste management and treatment

F. Housing and Land Use

1. affordable housing
2. homelessness
3. land use management and regulations
4. land tenure and security
5. housing finance: access to
6. construction industry

G. Urban Governance

1. public administration and management
2. partnership development
3. legislation
4. public policy
5. human resources and leadership development
6. decentralization
7. resource mobilization
8. institutional reform
9. management information systems

H. Civic Engagement and Cultural Vitality

1. community participation
2. social and cultural vitality
3. expression and animation
4. social integration
5. reduction of exclusion
6. civic education
7. mass communication and information

I. Gender Equity and Equality

1. gender roles and responsibilities
2. gender specific needs
3. empowerment
4. access to resources
5. control of resources
6. legislation (equality)
7. removing gender equity barriers (affirmative action)

J. Disaster and Emergency Preparedness

1. reduction of vulnerability
2. civic awareness

3. contingency planning
4. early warning systems
5. response capacity
6. hazard reduction
7. life-line systems
8. rehabilitation/reconstruction

K. Production and Consumption Patterns

1. waste reuse and recycling
2. energy efficiency
3. water use and consumption
4. resource conservation
5. consumer awareness
6. producer responsibility
7. production/consumption cycles

L. Urban and Regional Planning Process

1. localizing Agenda 21
2. capital investment programming
3. budgeting
4. community-based planning
5. urban renewal
6. conflict management and remediation
7. consultative process

M. Technology and Tools

1. software
2. hardware
3. management tools and systems
4. technology transfer
5. research and development
6. planning tools and techniques
7. networking
8. information systems (including MIS, GIS and libraries)
9. appropriate technologies

ANNEX II
CASE SUMMARIES¹²

A. Developing Countries

Brazil

Integrated Waste Management System of Belo Horizonte City (GP). An integrated waste management system adopted by the Superintendency of Public Cleansing of Belo Horizonte City, Brazil, is presented. It includes the improvement of the existing treatment systems, recycling of construction wastes and of inorganic materials from domestic waste and composting. It implies the conduct of an educational program, involvement of street scavengers and partnerships between NGO, private and public institutions as well as the participation of the population.

Self-Help Housing: Mutirao 50, Fortaleza, Brazil (AW). Fortaleza has 2.5 million inhabitants and the poverty level is very high. The first action was focused on education and capacity building to enable people to assume responsibility for improving their own living conditions. An educational program was established which led to the creation of micro-enterprises and the construction of housing. The problems of rehabilitation were treated in a holistic manner, focusing on the human as well as the material aspects of rehabilitation, and integrating the population into the process. For this purpose, it was fundamental to take into consideration the dignity of the people, combining capacity building, civic engagement and democratization by ensuring participation and transparency in the management of community resources.

China

Integrated Environmental Improvement Program, Zhangjiagang City (BP). Starting in 1990, Zhangjiang City (pop. 820,000) launched its Integrated Environmental Improvement initiative. A key component of the initiative is public participation in decision making. The initiative has resulted in the establishment of several planning tools and instruments including an Economic Development Plan, and Environmental Protection Plan, and Urban System Plan as well as changes to rules, by laws and administrative and management systems. In addition to attaining full employment, the city provides 120,000 jobs for workers from surrounding provinces. Substantial improvements have been attained in areas of housing, infrastructure, basic services, public transport, sewage and solid waste treatment, emissions control, green space and welfare services for the elderly.

Post-Disaster Reconstruction and Rehabilitation of Rural Areas in Anhui (AW). During the disastrous flood of 1991 in Anhui Province, one-half million

¹ adopted from the report of the Technical Advisory Committee, March 1996 and the BPI database

² with indications as to how cases had been judged for the Habitat awards: AW - award winning, BP - best practice and GP - good practice

households were made completely homeless and a total of 2.78 million rooms were lost. Anhui Province adopted a unified planning strategy that incorporated the victims themselves, the wider society and the state in order to accelerate and consolidate the project's achievements. In terms of project implementation, the construction of winter shelters was actively tied into the construction of permanent housing. Steps were also taken to reduce the randomness of traditional building styles which scattered a few thatched huts over wide tracts of land. Post-disaster reconstruction has improved the look of villages and has integrated housing construction with the development of the 'courtyard economy.'

India

Innovative Policy Instruments in Urban Planning and Development, Bombay (GP). The innovative policy instruments in urban planning and development have been taken up to effectively implement the development plan proposals, taking cognizance of the socio-economic reality and existing status of development which prevents the scope of spatial distribution in provision of civic and socio-infrastructure, slum redevelopment and urban renewal. These include Accommodation Reservation, Transfer of Development Rights and Addition Floor Space Index which demonstrate a collaborative partnership within an official and legal framework to promote equity distribution and cost effectiveness, minimize public costs and recover land for public purposes. These policy instruments allow landowners/developers to develop land and gain returns on their land in accordance with the provision of development plan for the city.

Integrated House-cum-Work Area Projects - Handloom Weavers (GP). Against the conventional pattern of exclusive residential and separate work area development related activities through classical master plan approach, the best practice in Tamil integrates residential spaces and home based work activities carried out in open spaces inside and around the housing area. This practice has (a) encouraged home-based handloom related textile and fabric development as appropriate and economic development; (b) given formal recognition to this activity through institutional support/planning regime; and (c) given financial support for the housing and work area development which integrates the inputs of housing financing institution and employment related sector development.

Integrated Approach to Slum Improvement (GP). The physical degradation in Hyderabad City, traffic hazards and, above all, the frequent communal riots brought the city on the verge of collapse. Against this explosive situation, the Hyderabad Slum Improvement Project was started using an integrated approach in which improvement to housing stock, environmental improvement, health and educational programs were taken up on areal basis. Involvement of people through Neighborhood Committees in planning, implementation and management helped to achieve sustainability of the project.

Poverty Alleviation through Community Participation - UBSP - India (BP). UBSP developed a participatory community development structure for poor women. In 296 cities, over 100,000 women, earning around US\$32 per month serve as planning volunteers. UBSP empowers women to express their needs and demands (60 volunteers have been elected to Municipal Government). Results include: 2,000 pre-school centers serving 100,000 children, community centers, play areas, primary schools, environmental health programs, credit societies for women in 11 states. In one state, 8,000 jobs were created for women in 18 months. State and district authorities monitor the program which is implemented by the communities.

UBSP brings communities together to exchange information and knowledge; resulting in effective partnerships, access to education, reduced adult illiteracy, improved water and sanitation.

Ivory Coast

Institutionalizing Community-Based Development (AW). Given the hardships of structural adjustment, the Mayor of Abidjan has opted to focus on unemployment, poverty and environmental degradation. Neighborhood Committees (CDQs) were established to engage the energies and resources of local communities and channel efforts towards improving their living conditions and economic situation. CDQ activities range from environmental improvements that provide a sanitary setting for housing to the building and operation of community facilities and services. By building the capacity of CDQs, the municipality promotes individual self improvement initiatives and economic self-reliance among communities.

Morocco

Shelter Upgrading in Agadir, Morocco (AW). After an earthquake in 1960 destroyed much of the metropolitan region of Le Grand Agadir, it was recognized that the living conditions of low income families was insufficient. Work began in the reconstruction and upgrading of low income neighborhoods where a large percentage of the households were headed by women. A strategy was adopted that focused on improving living conditions as well as integrating inhabitants into the economic, social and political life of the town. The integrated program encompasses the whole region and is characterized by the adoption of a long term vision.

Pakistan

Khuda-Ki-Basti - Innovation in Sheltering the Poor (BP). Government and private housing schemes in Pakistan focus mainly on upper and middle income consumers. Land policies have resulted in an oversupply of upper income developments with 200,000 vacant plots and flats in Karachi where 40% of the population have inadequate shelter. The Saiban, an NGO, initiated the Incremental Development Scheme ("Khuda-Ki-Basti") to deliver affordable housing to low income groups. Plots are allocated to families upon payment of a low deposit, and services are provided as allottees pay their monthly installments. Families are given title to the land. The community is involved from planning to execution: groups of 200 houses are organized into blocks which decide on the type of services they want. Employment opportunities for 1,000 people have been generated and contractors are appointed from the community. Income generating schemes using small loans provided 115 people (a third of them women) with regular income.

Philippines

Bantay Puerto Program: Puerto Princesa Watch, Philippines (BP). The ecology and natural environment of the City of Puerto Princesa, with a population of 120,000, was suffering from illegal logging and fishing as well as over-exploitation of its natural resources. In 1992, the Mayor of the City embarked on a program to preserve the natural environment through regulation, crime prevention and monitoring of the use of dangerous substances (primarily cyanide

for fishing). The leadership exercised in environmental protection and conservation led the central government to turn over the management of the St. Paul Subterranean River Park (5,753 ha.) to the city - creating a precedent in the history of the Philippines. The Park generates considerable income from tourism. The City won numerous awards including the Earth Day Award and the Galing Pook Award.

Kaantabay sa Kauswagan, An Urban Poor Program in Naga City (BP). In 1990, over 5,000 families or 25% of the 19,500 households in Naga City, which is double the figure in 1980, were squatters and slum dwellers. These households lacked basic services and were constantly threatened by evictions and demolitions. The Naga Kaantabay sa Kauswagan (Partners in Development Program), in conjunction with the local housing authority, initiated legislative change and established a tripartite Urban and Housing Development Board resulting in land swapping and sharing schemes for land, security of tenure for squatters, local resource mobilization schemes with beneficiary equity contributions, and basic services for the poor. In 1994, the program received the Galing Pook Award and has been the subject of numerous study tours, seminars and other means of exchange experience.

Senegal

Community Participation in the Management of the Urban Environment (BP). Rifusque Municipality, part of Greater Dakar and named after Rio Fresco (Fresh Water River in Portuguese), faced by 1990 serious sanitation problems: lack of sewage as well as garbage collection and disposal, a beach used as a public toilet and a garbage dump, and diarrhea topping the list of health complaints. The scheme, run by elected Local Management Committees, with women and youth active at all levels, uses appropriate technology such as horse-drawn rubbish collection carts, low-cost sewers, recycling and composting, and use of water lettuce to purify waste water. International funding is being replaced by a local revolving credit scheme. The combined efforts of 8 low-income communities, ENDA-Tiers Monde, Canadian funding and the municipality, are turning Rifusque back to Rio Fresco again.

South Africa

Soweto: Mobilizing the Community (BP). The city of Soweto, a black city typical of those spawned in the apartheid era in South Africa, was originally developed as a temporary township pending the turn of the urbanization tide through influx control. Accordingly, there was little reason to build an institution to manage the city, to invest progressively and incrementally in new infrastructures or to develop a sound tax base on business and commercial development. As a result, Sowetans not only had inadequate infrastructure but also had little access to business opportunities. The recent upgrading program was designed to extract from the construction work as many jobs as possible for Sowetans and has evolved into a complex of labor-based construction technology, training and support which are designed to offer entry level jobs to the unskilled, as well as business opportunities for the entrepreneur. Work opportunities are also provided for Sowetans in the development support structures as managers, inspectors, storemen, drivers and administrators effectively empowering the community.

Tanzania

Health through Sanitation and Water (BP). The aim of HESAWA is to improve the welfare of rural and urban populations of the regions bordering Lake Victoria through improved health education, environmental sanitation and drinking water supply. The government discovered that the high occurrence of water-borne diseases among children was a community problem which could only be tackled with high community awareness and participation through capability and capacity building at village and district levels ensuring long term sustainability. HESAWA has succeeded in reducing pollution and environmental health problems, extended safe water supply and sanitation, job creation and better opportunities for children and families.

The Sustainable Dar es Salaam Project (BP). The rapid urbanization of Dar es Salaam has translated into the deterioration of environmental conditions in and around Tanzania's capital city. In 1991/92, Dar es Salaam City Council (DCC), in cooperation with UNDP and UNCHS, held discussions with stakeholders within Dar es Salaam to establish a preliminary assessment of environmental issues. Working groups were established and nine environmental coordinators were appointed to deal with identified priorities. Working groups are made of technical advisers, representatives of government ministries, parastatals and commissions, and the private sector. Since 1992, the Sustainable Dar es Salaam Project has initiated significant changes principally at the community level and at the political and administrative levels; specifically, the development of a management process to identify crucial environmental issues and implement action plans in technical capacities involving the public, private, NGO and CBO sectors.

Uganda

Local Level Capacity Strengthening, Guelph, Ontario - Jinja, Uganda (BP). This is a city to city cooperation which is part of the Federation of Canadian Municipalities' International Partnerships Program. This program focused on the fostering of participatory governance practices in Jinja, strengthening capacity at the local level by improving community services and promoting community participation. Activities toward these ends are based on the program's four key principles: partnership, gender equity, capacity building and sustainability. Within this framework, two community based projects, a tree nursery and the rehabilitation of Walukuba Center, are in the process of achieving financial and technical sustainability.

B. Industrialized Countries

Australia

Better Cities Program (GP). The Program is demonstrating best practice in urban planning and development. It was initiated by the Federal Government in 1991 as a partnership with the state, territory and local governments to explore new approaches to managing urban areas, to achieve more efficient, environmentally sustainable and socially just urban growth. The Federal Government is contributing \$816 million to the program over five years. State, territory and local government contributions will bring the total public sector investment under the Better Cities Agreements to about \$2.3 billion. The program focuses on cooperative planning with targeted investment in infrastructure which

links housing, transport, employment, infrastructure and community services. A key principle of the program is the development of strategies which define the outcome required within a defined area and provide the framework for funding of infrastructure and related projects. Central to the area strategy approach has been the establishment of steering committees with representatives from the public, private and voluntary sectors to oversee the project.

Canada

Creating a Sustainable Community: Hamilton-Wentworth's Vision 2020 (BP). The initiative's framework was developed in 1990 to address the various concerns and trends facing Hamilton-Wentworth, with an emphasis on environmental, social and economic issues. In order to achieve the required consensus, various participatory activities were implemented: Town Hall meetings, focus discussion groups, vision working groups and implementation teams. Dubbed "Vision 2000: The Sustainable Region," the study has led to long range planning and policy documents including economic and transport strategies which reflect the vision of the community.

Revitalizing Metro Toronto's Mainstreets: The Long Branch Pilot Project (GP). The Long Branch Mainstreet Pilot Project represents a process-oriented best practice focusing on urban revitalization. It includes a partnership-based model for community involvement in planning to help define and guide appropriate sustainable redevelopment in built-up urban areas, and for identifying potential means of remedying problems while taking advantage of existing assets. It involves local and regional governments, community-based organizations and the private sector working together toward a common vision, and then sharing responsibility for achieving that vision.

Vancouver's New Downtown Waterfront Neighborhoods (BP). New waterfront neighborhoods will house 20,000 residents all within 2 km. of the metropolitan business core. This proximity means that many residents will choose to travel by non-auto modes of transport. All new neighborhoods are designed to be pedestrian friendly. A further 20% of the 12,000 units will be social housing, thus providing low cost housing for about 5,000 residents. A quarter of the units will be designed for families with children, a group that traditionally had difficulty finding inner-city housing. These measures ensure that neighborhoods are diverse places to live in.

Germany

Environment Friendly Urban Development in Neuss-Allerheigen (GP). The impetus for the project was a severe housing shortage in Neuss and its surroundings. There is at the same time a growing awareness of the need for "human" living conditions: pollution free, green environments, safe and healthy for both body and spirit. As the only available land for urban development was farmland, it seemed necessary to build with respect for nature. It was important to take the opportunity to create a neighborhood that will accommodate the needs of the people from as many different social economic backgrounds as possible. This encourages the communication so vital for a healthy "human" environment.

Europadorf Rosslau - Meinsdorf (GP). In a small town of Rosslau on Elbe which has 15,000 inhabitants and is situated in Saxony-Anhalt 5 km. far from Dessau, a new residential area has been built that attracted more than 65,000

visitors during the national building fair "Building and Living in Europe" from 10th to 24th June in 1994. During this time, eleven investors from eight countries of Europe presented examples of housing estates for different kinds of building, savings cost, area and energy; friendly and socially determined surroundings; economical and ecological balanced developments and convincing solutions for founding new town parts on an area of 10 hectares.

Messestadt-Riem/Trade Fair Development Riem (GP). The Messestadt-Riem project of the City of Munich includes the building of the New Trade Fair Center covering an area of 73.3 hectares, a new housing development for 16,000 people and industrial premises for 13,000 jobs as well as green and recreational areas of nearly one square mile. The planning process is accompanied by an ecological framework to ensure the consideration of all significant points of urban and global ecology.

Urban Management of Structural Transformation (BP). Its economy centered around coal mining and steel production, the City of Duisburg suffered profound economic and social shocks with the decline of these industries in the 1960s and 1970s. The 1988 "Duisburg 2000" plan served as a catalyst for a long term management approach incorporating the various actors and focal points into an integrated, partnership-based and sustainable whole. Six distinct projects emerged: the City's administration was decentralized, the Large Cities Statistical Project to assist with strategic planning, the Business Report of the 'Company' of Duisburg to stimulate citizen feedback, the Vocational Training Report, the "Inner Harbor Duisburg" revitalization and the Marxloh Project for integrated neighborhood development.

Poland

Local Initiatives Program, Lublin, Poland (AW). In 1990, the City of Lublin initiated a participatory planning process for urban redevelopment - a new concept for Poland, city planners and concerned citizens. The program was launched in two low-income districts lacking infrastructure. Extensive consultations were held resulting in neighborhood development plans approved by the City Council, and the regularization of unauthorized buildings. The City adopted an Act to stimulate partnerships in local infrastructure development. Residents negotiate with the city on the desired sequence of improvements. New houses have been built, run-down houses have been renovated, shops and businesses established and infrastructure improved. Young people who had left the area have returned and multi-generation families have been reestablished.

United Kingdom

Coin Street and Community Builders (GP). The project aims to develop 'housing of excellence' (affordable homes and buildings for community benefit) in inner London as part of a lively mixed community, rather than allow further encroachment from office developments.

Whitfield Urban Partnership Area, Dundee (GP). A multi-agency based urban regeneration initiative focused on the peripheral housing estate of Whitfield in Dundee. The Partnership is one between central government, local government, Scottish Homes, local enterprise company, the private sector and the local community. Established to tackle a range of complex physical, economic and social problems in one of Scotland's most deprived areas and the least popular

to live in the city of Dundee. By developing a multi-agency strategy and action plan, the Partnership has achieved considerable success in meeting its objectives and turning round the fortunes and image of Whitfield. Investment has totalled L=55 m since 1988. Successes include radical housing redevelopment and tenure diversification, environmental improvement, a high degree of community involvement and the development of community controlled housing organizations, substantial reductions in local unemployment and crime rates, improved community services and facilities, and the attraction of substantial public and private sector investment.

United States

Affordable Housing, Chattanooga, USA (GP). Chattanooga Neighborhood Enterprise, Inc. (CNE) was created in 1986 to serve as the city's affordable housing developer. To accomplish its mission, CNE plays four major roles: "community bank" with flexible lending program, advocate of home ownership, developer and manager of affordable housing, and facilitator of neighborhood revitalization. CNE is one of Chattanooga's most successful public-private partnerships. Because CNE uses funds from all levels of government as well as private contributions as leverage, it is able to access the large amounts of capital needed for housing rehabilitation and neighborhood revitalization from conventional lenders.

Electric Buses, Application and Research (BP). The downtown electric bus shuttle, operated by the Chattanooga Area Regional Transportation Authority (CARTA), is a free service, high-frequency shuttle system designed to move people through Chattanooga's linear downtown. The concept of the downtown shuttle was born of a need to solve the transportation problem of a long, narrow downtown. In January, 1992, the Electric Transit Vehicle Institute (ETVI), a non-profit corporation headquartered in Chattanooga, was established to promote the design, projection and utilization of electric transit vehicles powered by batteries or other non-stationary means of storage or production of electric power. A partnership was established among CARTA, ETVI, AVS and the City of Chattanooga to establish a living laboratory where electric buses could be tested in actual use condition along the streets of downtown Chattanooga. Electric bus technology is not only providing Chattanooga and other cities with a clear alternative for transportation, but it is also bringing new jobs and revenues to the community.

Greenpoint Manufacturing and Design Center (GP). The Greenpoint Manufacturing and Design Center (GMDC) is an adaptive reuse of a 19th century jute mill in Brooklyn as a site for small businesses and community activities under the auspices of the nonprofit development cooperative that owns and manages it. The GMDC Local Development Corporation took over management control of the buildings in 1993 and purchased the complex from the city of New York in 1994. The corporation provides a range of services to its commercial tenants and community residents to better the neighborhood's economic climate.