



Conference Report

South and South-East Asia Conference on Local Economic Development

Knowledge sharing and the way forward

**16-17 June 2009
Colombo, Sri Lanka**

Co-organisers and supporting organisations:

International Labour Organisation, ILO's International Training Centre in Turin, the Sri Lanka Ministry of Enterprise Development and Investment Promotion, the USAID funded CORE project, The Asia Foundation, GTZ and the Ceylon Chamber of Commerce

About this conference

This Sub-Regional Conference on Local Economic Development (LED) took place 16-17 June 2009 in Colombo, Sri Lanka. The conference was jointly organised and supported by the International Labour Organisation (ILO), ILO's International Training Centre in Turin, the Sri Lanka Ministry of Enterprise Development and Investment Promotion, the USAID funded CORE project, the Asia Foundation, GTZ (Gesellschaft für technische Zusammenarbeit mbH) and the Ceylon Chamber of Commerce.

The overall objective of the conference was to contribute to Local Economic Development in South and South-East Asia. The immediate conference objective was to share and compare experiences, build knowledge and identify what actions need to be taken to bring LED up a level in the region, in terms of effectiveness, uptake, and outreach. Some 140 people representing UN agencies, bilateral agencies, governments, NGOs and academia participated in the conference. Of these, the majority were based in Sri Lanka and app. 29 participants worked with LED in other countries in the region, such as Nepal, India, the Philippines, Bangladesh and Cambodia.

The conference had a participatory approach where all participants were invited to present their LED experiences both through formal presentations and informally during the discussions. To achieve this, the conference started with an LED Café to kick-start discussions and networking. During the two days, there were three main plenary sessions where some of the participating organisations shared their experiences through presentations, interview sessions and discussions, on: Key Principles of LED; LED and the Business Enabling Environment; Linking LED to the National level. One session comprised five parallel breakout sessions with two to three presentations in each session. Topics discussed included LED, Employment and the Environment; LED and Public-Private Dialogue (PPD); Access to Finance; Demand-driven services; LED Case studies. The breakout sessions gave a lot of room for discussions and interaction. Half-a-day was allocated to an open space session, which hosted some 20 workshops. In total, the conference had more than 40 resource people and the interaction between all the participants was very high.

Main conclusions

The conference showed that we are many who are committed to LED. We have common principles and concepts and we speak a common language. There is a rich experience in the region on LED and the conference contributed to sharing and discussing this experience.

One main conclusion was that Public-Private Dialogue is central to and the key engine of LED. Most of the participating organisations working on LED are promoting PPD on different levels (local, regional and national) and it takes different forms (MSE Forums,

PPD Forums, LED Forums, etc.). Public-Private Dialogue on the business enabling environment can lead to local and national reform. The improvements stemming from these reforms can affect many. Here, the local forums are instrumental in identifying and addressing issues. In Nepal, the Philippines and Sri Lanka civil society is involved in PPD whereas in Cambodia it is not. Including civil society may broaden the dialogue to include more social issues. This may strengthen dialogue and enhance impact, but on the other hand there may be a loss of focus. In order to become viable and credible, the PPD needs to show concrete results, which can help overcoming the mistrust that typically exists between the two sectors. Such concrete results include improvements from value chain development interventions and business environment reform, e.g., new access to water for ornamental fish breeders in Sri Lanka, increase of revenues for the local government units as a result of the streamlining of the business permits and licensing systems in the Philippines or improvements in the hotel industry, and tickets for Angkor Wat in Cambodia. Interventions initiated by Public-Private Dialogue should therefore be evaluated and assessed so that outcomes and achievements are identified. The success stories must be communicated to stakeholders and also to the general public. Mass media could play an important role. As a starting point for dialogue and action, measurement and assessment of the business enabling environment could play an important role. One successful example is the Economic Governance Index by the Asia Foundation, which has so far been introduced in Sri Lanka, Cambodia, Indonesia and Vietnam. The index has proven a good starting point for PPD.

Even though we are many working towards similar objectives, a variety of tools and approaches are being used. The question was raised several times if there could - and should - be one model instead. In Nepal for instance, different agencies work with competing models, and there is little sharing and collaboration, which could lead to confusion among local actors and at the national level. However, in many cases competition is limited because agencies generally seem to work on different levels, themes or in different geographical areas. In Sri Lanka, GTZ works on microfinance, the Nucleus Foundation at the entrepreneurial level, Asia Foundation on the Economic Governance Index and PPD with local government, ILO on PPD with District government and value chains, Core on cross-regional value chains. Nevertheless, synergies and potential for joint ventures could be missed if we work in isolation. An example in Sri Lanka is the greater effectiveness that could be achieved by linking District and municipality level dialogue.

Another conclusion of the conference is that linking LED to the national level is crucial but often problematic. In Cambodia, a special national Government-Private sector Forum, chaired by the Prime Minister, meets twice a year to discuss mainly strategy and policy issues. Eight working groups on different themes and sectors meet in between to develop plans and agree on implementation. This is in principle a great opportunity for linking local to national dialogue, but in practice it does not function adequately yet. There are communication problems both ways that hamper the linkages between local and national level. In Sri Lanka, the only national forum that exists, under the Export

Development Board, does not have the same prominence, and effectiveness depends on the Minister and Ministry in charge. Local and district forums are not well linked to either this forum or to individual Ministries. Furthermore, there is the existence of two parallel but partly overlapping systems, i.e. the central government and provincial and local governments. Combined with the large number of Ministries which also often overlap, linking to the national level becomes a complex matter in Sri Lanka. But there are ways to overcome these challenges. For example, 24 of the District Chambers of Commerce in Sri Lanka have created a common “Advocacy Forum” that identifies cross-cutting concerns that require Government intervention. This Forum has successfully attracted the attention of national level authorities.

Comparing different LED contexts at the conference, it became clear that the different degrees of decentralisation and official support for private sector development strongly affect the success of LED. Where Governments make funds for development available to local governments, the conditions for LED are good. In Nepal for instance, village development funds were previously not well spent due to the absence of ways to identify local level projects. With new LED planning methods the situation has improved. On the other hand, in Bangladesh there is little delegation of resources and planning to the sub-national level. Instead, the central government provides direct support to SMEs.

Thus, it was concluded that to link LED and local PPD to the national level, the PPD mechanisms used must be able to:

- Show the national level tangible results.
- Identify and bring together the relevant stakeholders and have political support.
- Be realistic and able to communicate the LED strategy and its advantages to external stakeholders.

However, the political set-up and situation could be a limitation despite the above being fulfilled.

Challenges to LED in South and South-East Asia

This LED conference identified some key challenges for LED in the region.

1. There is a clear need – and immense potential – for more collaboration and coordination between organisations initiating LED. We should work together to achieve our common goals. This is not only the responsibility of the agencies concerned, but of the governments too. They need to take the lead in institutionalising and mainstreaming LED and adopt the models and tools that are appropriate to the country.
2. In trying to link LED to the national level, how can we convince policy makers of the importance of LED, and the need for up-scaling, i.e. how can we mainstream LED to a greater extent so that the government adopts it? In this regard there are

positive signs, e.g. indications of replication in all participating countries. However, the extent to which the national government actually supports and encourages the use of LED planning and implementation methods is still limited. Even in Nepal, where LED is very much in line with the national policy framework, mainstreaming of LED in government planning is not yet a reality. In Sri Lanka, Enter-Growth found it difficult to work with national level agencies that were not represented at the District level. Working with a private sector organisation, the Federation of Chambers of Commerce, proved more productive with respect to national replication. To find ways of how we can link to the national level we must identify the incentives that exist for the national stakeholders to support and adopt LED strategies. Involving the legislators, i.e. members of parliament, should be considered in this endeavour. They are the ones working on new laws, but they do so without much information or contact with the private sector.

3. There is a need for more capacity building on LED strategies, tools and practices, including how to implement the decisions that come out of PPD. Experience in all the countries represented shows that good plans may be drawn up and improvements in the business enabling environment decided on as a result of LED initiatives, but that without further capacity building, follow up and tracking, implementation remains inadequate.
4. Involve and have the private sector, especially large corporations, take a bigger role in LED. As experienced for instance in Bangladesh, linking to the national level does not just mean linking to national government, but to the large corporations as well. This can have a positive impact on tens of thousands of enterprises in the value chain.

Cross-cutting issues and reflections

Some further issues that attracted attention and stimulated discussion at the conference were as follows.

- How to integrate **environmental concerns and sustainable economic** development at all levels? The green jobs concept, i.e. jobs that do not harm the environment or make a positive contribution, has proven useful in promoting this. In Nepal some thousand green jobs were created under the ILO LED project low cost. Problems include once again how to involve the government, and to balance environmental and other considerations.
- **Value chain** exercises and activities came out as a very powerful tool, linking local economies to markets, and ensuring the relevance of services (embedded or conventional) to small enterprises. The value chain exercises help to identify the need for services and link entrepreneurs to providers. They can also point to

the need for services that are not available. For instance, in Sri Lanka packaging training was developed when it was identified as a cross-sectoral constraint for which no service was available. Training on good working practices in coir mills was developed when this was identified as an issue. In the Philippines, Local and Regional Economic Development (LRED) exercises which looked at the tourism value chain provided an opening for BDS providers and universities to offer their services. LRED plans were a point of convergence for service providers.

- **Finance, including microfinance** is often not sufficiently included in LED design and there is a greater need for involvement of finance experts. Those who need credit the most often cannot obtain it since they cannot fulfil the requirements and since the cost of borrowing is too high. One of the answers may be greater access to venture capital. Agencies should not fall in the trap of setting up their own revolving funds or community funds. These detract from the development of the financial sector, which is the real answer to the need for better access to finance. In post-conflict situations, microfinance faces great challenges in order to have a positive impact (boost the economy and include the marginalised) rather than a negative (support armed groups, economic instability, etc.).
- Can SAARC (South Asian Association for Regional Cooperation) play a role in **linking LED to the international/regional level**? It can have a role in sharing and disseminating experience and could advocate for LED initiatives. It could be seen as a neutral facilitator in high-level PPD. Some concrete areas in which it could be involved are the certification for export, facilitation of trade between member countries, joint research and anti-corruption measures. A SAARC LED forum could address such matters.
- When it comes to the **gender** aspects, women are often not adequately involved as participants in the LED process. To successfully implement LED strategies and achieve the objectives this needs to change. LED tools, therefore, have to be more gender sensitive. They should include gender analysis and gender budgeting.
- It was agreed that more needs to be done on tools and models for **post-conflict** situations and marginalised groups. In Cambodia, the Asia Foundation is working with minority ethnic groups. Raising their awareness about the potential of local resources and building confidence is important. If they identify common constraints, they can group around these and advocate for change with the local and national government. Generally, building confidence and group initiatives are an effective way of stimulating LED in post-conflict situations. Also, groups can function as a support network.

The way forward - possible follow-up and next steps:

The following were suggested as next steps to be taken.

- A Facebook group to link the participants, so share experience and tools.
- Establishment of an LED group in Sri Lanka, to undertake joint activities, coordinate, and advocate for LED at the national and other levels.
- Share tools on a common website – an existing one could be used, such as www.ledknowledge.org.
- Develop more tools and approaches for post-conflict situations, and share such tools more broadly.
- University of Colombo will consider the inclusion of LED in one of its courses
- Those involved in the gender open space session offered to write an issues paper on LED and gender.

The Conference programme is attached.

For presentations in the different sessions, refer to www.ledconference.lk.

Day 1 - Tuesday 16th June		
08.00 - 08.30	Registration	
08.30 - 10.30	<p>LED Café:</p> <p>What are the key issues for LED in South and South - East Asia? How could LED be an effective response to the economic crises?</p>	Participants discuss in cafe style session
10.30 - 11.15	<p>Introduction and Welcome :</p> <ul style="list-style-type: none"> - Overview of Conference objectives - Chief Guest - Coffee and Tea 	<p>Tine Staermose, ILO Director, Colombo</p> <p>Gemunu Wijesena, Project Manager, ILO Enter-Growth</p> <p>Minister of Enterprise Development and Investment Promotion</p>
11.15 - 12.45	<p>Panel discussion:</p> <p>Key Principles of LED</p>	<p>Panel:</p> <p>ILO Model - Hideki Kagohashi, Enterprise Development Specialist</p> <p>The Asia Foundation Experience - Veronique Salze-Lozach, Regional Director for Economic</p>

		<p>Programs</p> <p>Nucleus - Using a group SME Promotion approach to achieve LED - an initiative of GTZ Sri Lanka - Dave Maurice, Director Nucleus Entrepreneur Foundation</p> <p>Connecting Regional Economies - Sarasali Fonseka, Senior Private Sector Policy Advisor, USAID CORE Project</p>
12.45 - 13.45 Lunch Break		
13.45 - 15.15	<p>Plenary presentations and discussions:</p> <p>LED and the Business Enabling Environment</p>	<p>Presenting:</p> <p>- Improving the local business environment through dialogue - Roel Hakemulder, Enter-Growth</p> <p>- Economic Governance Index - Niroshinie Nayagam, Technical Advisor, Economic Policy Advocacy, The Asia Foundation</p> <p>- Policy issues for Private Sector : Lal de Silva, Policy Expert, USAID CORE Project</p> <p>- LRED and PPD as a Core Concept of Private Sector Promotion in the Philippines : Miriam Bacalso, Philippine, German Private Sector Promotion (PSP) Program</p>
15.15 - 15.45 Coffee and Tea break		
15.45 - 17.15	<p>Parallel breakout sessions :</p> <p>The practice of LED in South and South - East Asia 1</p>	<p>Presentations from projects and organisations:</p> <ol style="list-style-type: none"> 1. LED, Employment and the Environment 2. Local and Regional Development - Case studies 3. LED and Public - Private Dialogue 4. LED and Access to Fiancé 5. Demand - driven services - ensuring relevance
17.15 - 17.45	Building LED knowledge and tools for sharing information	<ul style="list-style-type: none"> - ILO LED platform - LED knowledge - Other resources and tools
18.00 Cocktail Reception		
Day 2 - Wednesday 17 June		
09.00 - 09.30	Reflections from Previous day and today's programme	
09.30 - 11.00	Sofa interviews and plenary	Representatives from different countries :

	discussions: Linking LED to the national level - country comparisons	- Sri Lanka - Gemunu Wijesena, ILO Enter-Growth - Nepal - Krishna Prasad Devokta - Joint Secretary, Ministry of Local Development and Focal person for EmpLED - The Philippines - Miriam Bacalso, German Private Sector Promotion (PSP) Program - Cambodia - Veronique Salze-Lozac'h, Regional Director for Economic Programs, The Asia Foundation - Bangladesh - Syed Al-Muti - Director Economic Programs, The Asia Foundation
11.00 - 11.30	The practice of LED in South and South - East Asia 2 (with tea and coffee) Introduction to open space sessions	
11.30 - 14.30	The practice of LED in South and South-East Asia 2. Contd.	- Presentations - Group discussions
12.30 - 13.30 Lunch		
14.30 - 15.00	Main points from open space sessions	
15.00 - 15.30	Coffee and Tea break	
15.30 - 16.30	The way forward for LED: How do we bring LED to the next level? Preparation of conference paper	Plenary discussion
16.30 - 17.00 Closing of Conference		