



CARDIFF CONSENSUS FOR LOCAL ECONOMIC DEVELOPMENT

Introduction

Five hundred representatives of ministries of local government, local government associations, local governments, NGOs, academic/research organisations, development partners and the private sector from 51 countries met in Cardiff, Wales, 15-18 March 2011 for the sixth Commonwealth Local Government Conference: *Energising local economies: partnerships for prosperous communities*.

We participants at the conference:

■ **Reaffirmed** our commitment to the principles set out in the Aberdeen Agenda: Good practice in local democracy and good governance;

■ **Recognised** the importance of effective decentralisation, in line with the Aberdeen principles, as a critical foundation for effective local economic development and achievement of the MDGs;

■ **Emphasised** the important role of local government in effective local economic development;

■ **Welcomed** the fruitful discussions and recommendations of the CLGF Research Colloquium;

■ **Noted** the significant youth population in countries across the Commonwealth and the issues of un/under-employment which they often face;

■ **Welcomed** the recommendations of the successful Commonwealth Young Professionals Forum;

■ **Acknowledged** the importance of ensuring that women have access to local economic opportunities across the Commonwealth, and the need to provide platforms for further networking to ensure that women are fully involved in economic and political decision making, in recognition of the Commonwealth Day theme of Women as Agents of Change;

■ **Recognised** the key role of local government in preparing and coordinating local development strategies that promote economic opportunities, and contribute to the achievement of the MDGs. Mindful of the common challenges facing the sector, and aware of the need to ensure that local economic

development strategies are locally owned and reflect local needs and circumstances, we call on national, regional and local government, the private sector, civil society and development partners to support and strengthen local government's role in LED to help reduce poverty, and promote economic prosperity across the Commonwealth:

Local economic development

Local economic development is a process which brings together different partners in a local area to work together and harness local resources for sustainable economic growth. There is no single model for LED, approaches should reflect local needs and circumstances. LED creates an enabling environment for business and other stakeholders to work to promote equitable and balanced local economic growth. Pro-poor and inclusive local economic development enables local government to address poverty, unemployment and social deprivation, including through strategies for promoting youth employment, empowering disadvantaged and marginalized communities, support for skills development, and promotion of gender equity and equality.

Rapidly growing cities are major centres of growth; rapid urbanisation challenges existing models of governance and leads to the appreciation that informality brings potential benefits and opportunities, notably in terms of generating innovative solutions, as well as the often perceived problems.

Key actions are required to enable local government to play its full role in LED:

■ Providing a clear national framework for local economic development

Effective fiscal, political and legal decentralization, including appropriate constitutional and legal recognition, and access to an equitable share of national resources, is essential in maximizing local government's effectiveness in local economic development. Empowered local governments, with meaningful autonomy and delegated powers to deliver LED, can actively promote and sustain inclusive, locally-owned economic development, which addresses the challenges of poverty, un/underemployment, political instability and deprivation, particularly relevant at a time of global economic crisis. National governments should develop national policy



frameworks that provide clarity as to the roles and responsibilities of stakeholders involved in local economic development, and sets local economic development in the macro-economic context.

Rural and urban poor lack land rights which reduces their incentive to invest in long term development. National governments should consider modification of land-use systems, promotion of re-zoning, and changes to land tenure to enable greater opportunities to access resources and to promote and encourage local economic development opportunities.

■ **Creating an enabling environment for LED**

Local government has a key role in shaping local economies, both in terms of direct investment but also as a catalyst for development. Local government has a clear leadership role in coordinating stakeholders and promoting partnerships for LED.

Local government faces a number of constraints which affect its ability to play a full role in LED, including the lack of a clearly defined mandate or responsibility for LED, weak policy and legislative frameworks, limited resources, confusion as to the roles of different stakeholders in LED, and lack of capacity.

Local government can create the environment for business to flourish by promoting direct investment, providing core services, convening the private sector, and reducing red-tape. These may include:

- Integrated local development planning, which includes a strategic plan for LED
- Provision of local business advisory services
- Delivery of effective regulatory services
- Enable local government to access national programmes for economic development
- Provide and maintain infrastructure
- Provision of financial/other incentives such as micro-credit schemes and social enterprise, and facilitate and enable other providers to enter the market with responsive services.
- Development of procurement policies to support local business

The underfunding of local government to deliver its statutory services, often results in inability to deliver effective LED. Effective decentralization, and guaranteed, or new and innovative funding sources are essential to ensuring that local government can effectively support LED. Development partners should be encouraged to make funding for LED available directly to local government.

Local government also needs to develop the capacity to access existing funding sources or to use innovative financing models to support LED eg PPPs, SPVs, joint ventures, municipal bonds, borrowing on the markets where appropriate, and accessing credit. Banks have an important role to play in supporting LED. Development partners should be encouraged to make resources for LED available directly to local government.

Local government needs capacity to plan, coordinate and mobilise resources for LED. Cooperation and partnership between local, regional and national government, other public sector bodies, NGOs and the private sector should be encouraged in support of LED. Local government associations, central government and other providers can play a role in developing capacities.

■ **Local strategies to promote LED**

In developing local strategies for LED, local government working in partnership with other stakeholders should:

- Undertake research to understand the local economy and encourage the growth of existing business
- Promote integrated development planning and community consultation, which takes into account uneven development
- Develop infrastructure to provide an enabling environment for local investment and use labour-intensive approaches to maximize employment opportunities
- Maintain and develop the local skills base and promote sustainable job-creation and diversification of the local economy.
- Promote greater understanding of, and create space for the informal sector to contribute to local economic development
- Provide incentives for LED initiatives in the most deprived communities as part of inclusive development.
- Promote enabling procurement processes and enhance the capacity of SMMEs to be competitive in the procurement bidding process.
- Increase the use of ICT to improve efficiency and to support LED
- Work with local stakeholders and residents to use major events and tourism to raise the profile of a locality and to improve LED opportunities.
- Retain and expand existing business by improved productivity, quality and competitiveness.
- Support SMME development and promote human capital development by maximising local resources and skills, including youth entrepreneurship, skills development for women, and retaining and attracting skilled personnel.

- Use appropriate LED interventions to improve the socio-economic empowerment and living conditions of people living with HIV and AIDS, and those affected thus reducing their vulnerability.

■ **LED Partnerships with the private sector and other partners**

Partnerships are at the heart of effective LED and local government should promote partnerships with:

- Business and the private sector to encourage entrepreneurship, facilitate PPPs, understand the local economy and cooperate with local chambers of commerce, trade associations etc
- Labour/trade unions to promote social partnership
- Universities/higher education sector to increase access to knowledge, expertise, technical advice, and consultancy skills
- Traditional authorities, community groups/civil society leaders, to mobilise volunteers, promote local participation, public community partnerships, cooperatives and improve understanding of the needs of different partners such as informal traders, to help strengthen delivery and promote accountability and transparency
- Partnerships/twinning between local governments and with other public sector partners such as fire or health services to leverage economies of scale and to promote shared services
- Central/state government, sectoral ministries, and parastatals/development boards to ensure effective coordination and facilitation of LED
- International development agencies, national, regional and local finance institutions to secure development finance and technical expertise directly to local government.

Next steps

Key steps towards achieving effective LED require actions from a range of different stakeholders, including:

- *National, state/provincial government:* National, state/provincial government establish national LED frameworks, and ensure decentralisation of appropriate powers, functions and resources, including financial resources, empowering local government to play a

leading role in LED. Ministries of local government play a key facilitation and coordination role in this process, and in assessing and monitoring the impact of LED.

- *Local government authorities:* Local government authorities start immediately to plan, develop and implement LED strategies, in partnership with the private sector and other stakeholders at the local level to promote local economic development. They should develop a strong alliance with the private sector to ensure that LED promotion and actions are well-grounded.

- *Local government associations:* LGAs play a key role in advocating for local government involvement in LED and operationalising national frameworks and assessing impact. They are important partners in sharing good practice, capacity development and identifying and leveraging resources for LED.

- *CLGF:* CLGF advocate for LED as a key responsibility for local government across the Commonwealth among CLGF local government and ministry of local government members,

Advocate for LED within the wider Commonwealth, to generate better understanding and support for local government's role in LED notably at the 2011 CHOGM, Perth Australia and at meetings of Commonwealth Finance Ministers.

CLGF share good practice and knowledge around LED, including through the CLGF Inclusive Cities Network, and promote a greater focus on practical LED research, through the CLGF Research Advisory Group.

Strengthen capacity-building for LED through targeted programmes including in partnership with Commonwealth Secretariat, Commonwealth Business Council, and other development partners.

- *Development partners*
Development partners provide resources, support and expertise to improve capacity and enable local governments to deliver effective LED.

Cardiff, 18 March 2011