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**Swiss Agency for Development
and Cooperation SDC**

Guidance paper for SDC head office and cooperation office staff

Managing LED Projects



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Introduction

There is a growing interest within SDC for approaches that focus on strengthening local economic development processes. This interest is manifesting from two main perspectives:

- ▶ From the perspective of Private Sector Development and how local businesses can become more competitive and local economies more inclusive through concerted efforts by public and private actors from within a territory.
- ▶ From the perspective of Local Governance and Decentralisation where a clear shift can be identified from reforming the state to ensuring efficient resource allocation towards strengthening local governments' ability to help unleash the potential of territories.

This guidance document has been commissioned to respond to this need. Accordingly, the document brings together knowledge on Local Economic Development (LED) with current experiences of delivering LED within SDC. It aims to support design, implementation and steering of LED initiatives within SDC.

Who is this paper for?

The guidance is for SDC staff, both in Head Quarters and in Swiss Cooperation Offices (SCO), who are designing, managing or steering portfolios of LED projects or who are considering to support LED in one of SDC's partner countries in the near future.

After getting some initial understanding of what LED is, for example from the [LED Overview](#) developed for SDC, this guidance will help you to deepen your understanding of the implications of LED for programme management within SDC's Project Cycle Management (PCM).

Structure of the paper

This paper walks through the different phases of managing an LED project from an SDC PCM perspective. The guide is roughly structured along the main phases of an LED project cycle:

- ▶ When to consider LED
- ▶ Preconditions for LED
- ▶ Preparation needed for an LED project
- ▶ Entry proposal and tender process
- ▶ Inception phase
- ▶ Credit proposal and implementation
- ▶ Steering
- ▶ Monitoring and results
- ▶ Capacities needed at the SCO

Considering LED? Here are the basics you need to know.

LED is part of a family of approaches in development that at their core have the aim to **strengthen local systems so the actors in a region or country can take their development into their own hands**. In this sense, it is like Local Governance approaches. At the same time, its central aim is to **improve the competitiveness of the private sector, foster economic development in a territory, and generate sustainable economic wellbeing**.

LED is a way to strengthen economic, social, and political institutions from the bottom up. Doing LED fits into a SDC cooperation strategy that aims at strengthening and capacitating local systems and enabling citizens, businesses, and local political institutions not only to participate in this development process, but lead it.



«The advantage of the LED approach is that it takes into account thinking and working politically.»

Andrea Iff, DDLG Network

At the same time, LED is a logic to plan and implement a development project. An LED project is most effective when it is embedded in a wider programmatic approach of a SCO aiming at strengthening specific territories. Ideally, that SCO's portfolio would combine different projects and development perspectives such as local governance and private sector development.

LED is not a blue-print approach that can be copied from one country to another. Country-specific LED modalities need to evolve locally – the implementation steps might even look differently in different localities.



«Supporting participation is good, but if people do not have something in their pocket, it's useless.»

Ibrahima Ba, previously SCO Niger

Why LED is more about learning and less about planning

In the past, LED was often seen as being equal to a strategic planning process owned and led by the local government. Lessons learned over the last decade, however, clearly show that the economic development of a territory is complex and beyond the capacity of the local government alone.

Economic development requires a networked approach to governance, in which multiple actors come together in a dynamic and continuous collaborative process of exploration, priority setting, implementation and adjustment.

LED is to a large extent about learning. Learning not only how to offer better products and services (both public and private), but also learning how to offer them in a more

efficient way. LED is also about various local stakeholders learning about each other's existence and goals, learning about the structure and dynamic patterns of the local economy, learning about opportunities to stimulate upgrading in the local economy, and the tools necessary to do that. And very importantly, LED is about various public, private, and civil society actors learning to collaborate.

These insights point towards the benefits of an evolutionary and complexity sensitive approach to LED. LED as an evolutionary process assumes that economic development evolves along trajectories shaped by learning-by-doing and learning-by-interacting. Rather than following a step-by-step approach, the LED is based on an open-minded learning process starting from the current realities of any location with the actors that are willing to engage in a positive and future-oriented way¹.

¹ For more on the problems with LED as strategic planning process and arguments for seeing LED as an evolutionary process, see Cunningham, S. and Meyer-Stamer, J. 2005. Planning or doing Local Economic Development? Problems with the Orthodox Approach to LED. Africa Insight, 354 4-14. [Accessible on Research Gate.](#)

In what situations should we consider LED?

There are three common reasons, why SCOs have considered using LED as an approach in the past, as shown in the table below. For each of the reasons, the table also includes some questions that were asked by the respective SCOs.

Common reason to do LED	Guiding questions
Creating economic well-being, including jobs and income, on a local level by strengthening cooperation of different local actors, including the private sector.	<p>How can the private sector be better included in local development initiatives? How can dialogue between the public and private sectors and civil society be fostered?</p> <p>How can the increases in incomes generated by economic development projects be translated into broader well-being of the population?</p> <p>How can (local) government actors be actively included in economic development activities rather than to side-line them – as is often the case in private sector or market systems development?</p>
Overcoming the limitations of local governance approaches and sectoral economic development approaches.	<p>How can we integrate long years of isolated experience in developing local governance and in economic development, respectively?</p> <p>How can improved local governance be concretely translated into improved wellbeing of the people?</p> <p>How can we use a territorial approach to face the challenges of urbanisation?</p> <p>How can we link urban, peri-urban and rural areas into functional economic areas?</p>
Strengthening economically lagging regions and improve collaboration between territories to decrease economic inequalities in a country.	<p>How can we integrate an economic perspective in a decentralisation or multi-level governance programme?</p> <p>How can we support structurally weak regions in their economic development as well as political positioning?</p> <p>How can we reduce income inequalities both between people and between regions?</p> <p>How can we increase collaboration between territories and harvest the potential of economic corridors and city networks?</p>

There is a strong acknowledgement in SDC that a functioning local governance system is not enough. The local governance system needs to be able to improve people's well-being – which is not an automatic result of local governance programmes even though it is often assumed to be. Also, new jobs and improved incomes created by economic development projects do not automatically translate into a broader sense of well-being

in a territory, which would also need to include access to health, education, etc.

What speaks for LED from an SDC perspective is that it does not require the same amount of money as a cluster or sector development approach. Similar to [Market Systems Development](#), it is using a catalytic approach to achieve systemic changes.

Why LED? – from an SDC perspective

Interesting scale	Integrated approach	Relevance of place
<ul style="list-style-type: none"> ▶ Priorities are set locally and in a participatory way ▶ Potential for significant and visible impact ▶ Might prove more pragmatic and impact oriented to work with local government institutions than with those at national level ▶ Lowers migration pressure to cities ▶ Provides clearer geographic boundaries for monitoring and evaluation ▶ SDC is traditionally strong in supporting local governance and decentralisation 	<ul style="list-style-type: none"> ▶ Integrates economic development and governance issues ▶ Strengthens local governance ▶ Brings the private sector on board ▶ Fosters inclusion of women and marginalised groups 	<ul style="list-style-type: none"> ▶ Territorial context matters ▶ Territories serve as an anchor for development ▶ Different interventions from different projects come together in a place ▶ Linking dynamic urban areas and lagging rural areas

Are there preconditions for LED? What needs to be in place?

In principle, SDC can start LED initiatives in almost any context if there is a commitment to start building the conditions for LED. The following points will, however, make it easier to get LED off the ground in a country or region:

The participation of public and private actors. These partners can have different levels of capacity and commitment, but there should be some buy-in from a group of people who has some influence in the local society in order to move things forward – there is a need for local leadership and ownership. It is not necessary that the lead is with the government, yet the local government institutions should be strongly committed to be involved. The promise to strengthen economic opportunities will make it easier to convince actors to buy into the process. In prospering regions, it might be more difficult to convince stakeholders why a LED process is necessary to ensure long-term sustainable growth. It is important however, to be aware of local power structures in order not to reinforce power inequalities but rather to broaden participation.

«A difficulty is to find public actors that are interested to work on LED and push it as an approach. ... The projects need to be very adaptive so they can react to what makes sense from the perspective of the local actors.»

Andrea Iff, DDLG Network

A basic level of trust and the ability to collaborate and agree on some things. Often, there is a deep distrust between the public and private sectors and civil society. Yet to do LED, these stakeholders need to be at least able to sit together at a table. They don't have to agree on everything and there is no need to find unanimity, but if they cannot agree on anything at all, it will be difficult to get a LED process moving.

The capacity to manage the LED process – which can initially be the project but needs to be built locally. Any LED project will inevitably need to build the capacities of those people and institutions who are to manage the LED process in the long run when the project has finished. To establish LED in a country, capacity building of LED experts who help facilitate LED processes throughout the country is also required.

A national LED policy to support territorial processes – and/ or **institutional partners on different levels of government** that can anchor the process in the government and are willing to support territorial processes and work towards such a policy. In an incomplete decentralisation process, local government institutions are often unsure on whether and how they can engage in LED processes. A national partner with the relevant authority can support such engagements in the absence of a formal LED policy. Ideally, national partners authorise other government agencies, such as devolved departmental offices or research institutes, to collaborate with the LED efforts.

Some level of on-going decentralisation efforts. Local governments need to have the liberty to at least engage in LED activities and better also contribute resources to change projects that result from these activities. That means they need some disposable budget as well as the ability to shape their budget to respond to emergent LED priorities. In turn, successful LED can also contribute to the argument for further decentralisation and subsidiarity and thus strengthening of local governance in a country.

There is no clear threshold for any of these criteria that allows us to say ‘yes’ or ‘no’ on whether a country is ready. Depending on the context, in one country LED could be successful even though the preconditions were less promising than in another country, where LED failed as a concept. In order to test the readiness for the idea, the SCO could introduce **LED initially as a component of an existing project, instead of going through the effort of launching a whole new project.** This would allow for testing the concept and seeing if there is take-up among local actors and interest from national actors.



«What are the preconditions in a country regarding regional development and planning? Decentralisation, fiscal decentralisation, political institutions, governance, etc? First questions focus on governance and politics, only later talk about economic questions. Look at preconditions from a political side for LED. However, even if they are not perfect something can always be done.»

Peter Beez, SDC e+i Network

Preparing an LED programme

Starting to support LED in a country requires a solid preparation by the SCO. A good knowledge of the context is required to understand where and how initial efforts will be the most effective. If the territories are already known, the specificities of these areas can be explored. Local stakeholder should be involved as early as possible, also in the preparation phase.

Given the intensity of the preparation process, it makes sense for the SCO to mandate a consultant to provide backstopping support for the involved members of staff in the preparation phase. The backstopping should be done by a consultant or organisation with good methodological knowledge and knowledge of the context or by two consultants, one with methodological knowledge and a local consultant with knowledge of the context.

The intensity of that support should vary depending on existing knowledge of LED in the SCO and can range from simply mentoring the NPO all the way to writing the zero-draft project documentation or even the tender document. The process should, however, not be totally outsourced to a consultant. Rather, the consultant should be a learning partner to the SCO and support the involved staff to find the answers they need to proceed with the project design. The involved staff should as much as possible understand the local reality and be involved with potential local counterparts as this will make it easier for them to defend the project for approval and most importantly later for steering the project.

Beyond the support of a consultant, the SCO can always tap into the resources of the SDC thematic networks, specifically the e+i and DDLG networks, and their focal point teams at head quarters.

«The preparation for supporting LED cannot only be done at the desk. Also go out and talk to majors to see what the openness of these people is to engage with such projects; get a ‘feel’ for the people who would be central stakeholders. Talk to business associations and get a feeling from the private sector, too.»

Peter Beez, SDC e+i Network

Here are a number of questions that should be considered during preparation:

- ▶ From the perspective of the partner government, what is the role of the state in economic development? What is the vision of the central and local governments in terms of economic development?
- ▶ What is the political economy² around economic development? To which extent is the political economy of decentralisation hindering local economic processes? What is the political economy around urbanisation (for example are urban centres mostly from the opposition and the surrounding areas form the ruling party)?
- ▶ Are there any on-going efforts to strengthen LED in the country, either by other donors or by the government itself?
- ▶ What is the status of decentralisation in the country? Do the local government actors have enough autonomy to engage in and shape an LED process in a meaningful way? Do they have the relevant capacity to manage and the incentives to own the process in the future – or can this realistically be built by the project?
- ▶ What is the capacity of the local actors from the private sectors and civil society? How well organised are they on a local level?
- ▶ What are limitations and constraints that explain why LED is not already done in the country? Can these be feasibly overcome by an SDC project? What does this mean for project design?
- ▶ Where can we find capacity and willingness among public, private and civil actors to engage in an LED process and engage with each other? What are the interests of these different actors?
- ▶ Where are the economic opportunities that can be build up through LED?

As mentioned, LED is not a blue-print approach. Hence, the LED model³ chosen by the SCO needs to be contextualised. In effect, the contextualisation happens during initial phases of implementation as it is an organic process of trial and error.

Initial considerations need to be made during the preparation phase, including but not limited to:

- ▶ Which model of LED should be the basis for the LED model promoted by SDC? For example: Should there be a focus on building local infrastructure or on building the capabilities of local stakeholders and the necessary policy and institutional set-up so LED can be implemented successfully in a country? (See different approaches to LED in the [LED Overview report](#))

- ▶ Do we need to further differentiate modalities for economically leading and lagging regions, respectively, or for economic corridors?
- ▶ How advanced is the country with regards to the preconditions for LED? Do we start from a very low or from a higher level? How much effort do we need to put into building LED awareness, capacity and expertise?
- ▶ Is getting the buy-in from public and private sectors as well as the civil society going to be a problem? Why, what is the incentive structure of these actors? Where and why do we most likely find local leadership?
- ▶ What experiences have we already made in other projects that we can use to design the country-specific LED approach?
- ▶ What are potential partner organisations that could play a critical role in making LED work? Could they already be involved in the preparation? Could they implement a project? If local capacity is lacking, who would be international players who could implement an LED support project? How could they be involved in the preparation (e.g. through a tender with dialogue, see below)?



«It needs to be clear what ‘LED model’ is looked at. For example, in Bangladesh the LED model should not be infrastructure-LED but it was

more about building the ‘LED software’ in the country (which can lead to infrastructure later). It needs a clear argument why this is the case. There is a need for a clear strategic direction. In Bangladesh, we created a generic LED model to start with. Without this the project would not have been approved by SDC. So, an initial model needs to be included so that the people at head office know what will happen, at least describing how the process will work. Then SDC can take the risk and give money to test the model.»

Sohel Ibn Ali, SCO Bangladesh.

² For information on political economy analysis, see: <https://www.shareweb.ch/site/DDLGN/Toolbox/PEA/SitePages/Home.aspx>
https://www.shareweb.ch/site/DDLGN/Toolbox/2pagens/06_Political_Economy_Analysis.pdf
<https://www.shareweb.ch/site/DDLGN/Toolbox/SitePages/Home.aspx>

³ There are different ways of doing LED, here called LED Models. For an overview of three common types of LED model see the [LED Overview report](#)

Entry proposal and tender process

Entry and credit proposals need to be well thought through and the case for LED has to be well stated. Discussions with Head Office (both desk officer and thematic networks) need to be sought early in the process.

«The SCO needs knowledge and capacity to respond to questions from the head office. What knowledge the analyses will create needs to be clearly communicated with head office so the learning happens on both sides. Not only the desk officer needs to understand what is going on but also the thematic networks. If these people can be involved in the discussion of approval this will help. The network will support with preparation.»

Sohel Ibn Ali, SCO Bangladesh

The challenging aspect of planning an LED support programme is that, while the entry proposal needs to be well developed, you often do not know much at the beginning of the process. Entry proposals for LED projects therefore often focus on the process that will lead to sufficient knowledge of the context to design an effective LED project. In addition, it will describe the generic LED model that builds the basis for a more contextualised LED modality that will result from the preparation phase. In cases where the SCO had the opportunity to test LED modalities as part of an on-going project, more direct experiences can be added to the entry proposal, making a stronger case for the project.

Some questions that should be answered in the entry proposal (apart from the Quality Assurance required elements):

- ▶ Why is LED relevant for the country, i.e., the local stakeholders? What is the institutional understanding and legal and economic structure of or for LED in the context?
- ▶ What value can the Swiss support for LED in the country add that other donors cannot?

- ▶ How did we conclude that an LED approach will improve what we have already worked on in governance and economic development? What are our lessons learned?
- ▶ How will the LED process be designed?
- ▶ How to manage the procurement rules and processes?⁴

Should you define a territory in the entry or credit proposal?

There is no clear answer to this question, but there are a few considerations that you can consider:

- ▶ It makes sense to initially focus in an area where SDC has already been active and that is well known to the SCO or where the preferred institutional partner of SDC is well anchored.
- ▶ If there are localities with champions willing to drive the LED process, these are good places to start to build momentum for the idea. The capacity of local stakeholders will often have to be built by the project, though.
- ▶ Instead of fixing the geographical coverage, the project could design an open call for local governments or groups of local actors to submit a proposal for how to strengthen LED locally. This does however require that there is enough capacity in localities to develop such proposals, which is often not the case.
- ▶ It makes sense to start with a small number of territories, as low as 2 or 3, to test the LED modalities. Later the number of territories can be scaled up, depending on the funds available.

If LED is new to SDC in a country or even new to the country context, a relatively large opening credit should be sought in order to set up the programme well from the outset. Experiences in SDC (West Africa, Bangladesh) show that 18-24 months are necessary to run a solid planning process that involves local stakeholders, allows for the necessary analyses to be done and prototype an initial locally adapted LED model, while still giving enough time to develop the credit proposal.

Should you predefine the partners in the entry or credit proposal?

In the LED project in Bangladesh, all stakeholders on national and local level were already defined before the project was tendered based on a stakeholder analysis. It is critical to analyse power and interest of each actor as part of a political economy analysis in order to find the appropriate stakeholders in a project. But in line with adaptive management principles, there is flexibility to change the involved stakeholders based on assessments during the implementation. Indeed, it is important that all initial assessments done before the start of a project must be validated during the implementation.

In Benin, the stakeholders were not defined before the project, but the categories of stakeholders the project should engage with were known, namely, communities; decentralised administration; civil society, user associations; and entities in charge of economic infrastructures.

Tendering LED projects has similar characteristics to tendering out MSD projects or mandated local governance programs as they are highly adaptive during their lifetimes and require implementing partners that both understand the approach as well as have the capacity for continuous learning and adaptation (see [Managing MSD Projects](#) (Chapter 2) and [Adaptive Management](#) 2-pager).

Selection criteria for implementers – experiences from the field

Bangladesh: The requirements for the implementers are manifold. They need for example to understand the (sometimes hidden) powers and interests of all stakeholders; have prior experience in working with local government institutions, but also in working with community in participatory ways; know how central government works, etc. – in addition to understanding market systems. This might make finding the right implementer difficult.

Benin: Methodological expertise is important, the ability to work in a balanced manner on the different dimensions / objectives in governance and the economy, or more specifically, the collaboration between local administration and the (local) private sector.

Honduras: LED experience and familiarity with the methodology are important selection criteria. Another important aspect is knowledge of the local context (lowest tier of government) while making sure that this criterion does not crowd out (international) bidders. However, knowledge of local context and especially also fragility aspects in the case of Honduras has proven to be very important: a lack of understanding on these issues can lead to difficult experiences.

Niger: For the selection of the implementer, it is key to look at its capacity to engage in accompaniment processes, facilitation, listening, supporting local actors. It's another type of capacity than is needed in other projects. In LED, the rhythm is imposed by the local partner, reform takes time. The implementing organization must understand this!

⁴ In most cases, the SCO may need to tender a mandate to facilitate/help implementing an LED process. In some cases, contributions to existing projects or organisations may be possible. In case of a tender procedure, the SCO needs to make sure not to exclude suitable implementing partners during planning.

There are different options for how to tender a project in SDC:

- ▶ Open tender process: The tender document is specific, defining interventions and goals; the bidder is selected based on the best offer following several pre-defined criteria.
- ▶ Selective tender process: Same as above, but an Expression of Interest (Eoi) stage precedes the actual technical offer. Only bidders that are pre-selected based on the Eoi are invited to submit a technical offer.
- ▶ Open/selective tender process with dialogue: Following an open or selective tender, a small number of bidders is invited to enter a dialogue. The final technical offers are developed in a dialogue between SDC and each bidder, where the bidders are paid for the time invested in the elaboration of the technical proposal. At the end, the bidder with the best technical offer coming out of the dialogue is selected.
- ▶ A middle way between the open/selective tender and the option with dialog is to invite the bidders to develop an alternative offer to what is asked for in a tender document following their own ideas on how they could reach the intended objectives. These alternatives are submitted in addition to an offer that fully follows the requirements of the tender document.

«The tender document needs to allow as much flexibility as possible to allow for the creativity of the bidder to be expressed.»

Sohel Ibn Ali, SCO Bangladesh

The selective tender process is the better option for LED even though it needs more time. It allows to pre-select bidders that have experience with LED approaches. Particularly in situations where LED is new and it is unclear what model will work, developing the project together with the potential implementers would make sense. This dialogue option has not been widely used yet but seems to fit well for LED, as projects usually start with very general ideas and get concretised over time based on increasing knowledge of the context and LED model. The dialogue option may even lead to a participative planning process involving external experts and SDC staff. The dialogue option is, however, the most time and resource consuming process and might also be challenging with regards to treat all bidders in the same way.

Is an LED project an economic development project or a local governance project?

When submitting an entry proposal, thematic areas must be indicated. A LED project can either be marked as economic development or as local governance projects. Both choices have pros and cons and consequences regarding the results that are expected from the project. LED projects often find themselves in the space between more qualitative local governance results and the harder economic development results.

Here are things to consider:

- ▶ Initially, the focus of an LED project is likely on establishing all the processes and policies, capacitate the actors and test ideas. Hence it is unlikely that it will deliver high amounts of economic impact.
- ▶ Over time, once LED becomes more established in a region or country, economic results should start to become more prominent.

In SDC's SAP, there are different markers for governance and economic development projects. For LED projects, it is recommended to select markers from both domains. Which one of these is selected as first priority and which one as second priority needs to be decided by the SCO based on their priorities, project portfolio, and budget planning.

- ▶ Under Governance the marker is 20044: Decentralisation
- ▶ Under Private Sector Development, the marker would be either one of the following two:
 - ▶ 20017: Urban development and management, or
 - ▶ 20018: Rural development

In some cases, particularly when there is limited experience with LED in SDC, the SCO should also look for an organisation that can provide technical backstopping to the SCO itself not only in preparation of the LED project but also in the selection of implementer(s) and during implementation. This was done for example in Bangladesh, where in addition to the project implementer, the SCO contracted an organisation to provide support to the involved SDC staff in the preparation of the project documentation and then during the initial months of project implementation. Both the e+i and DDLG networks also have backstopping mandates that can support the SCOs and make sure that experiences are shared between different country offices as well as with headquarters.

Inception phase and entry proposal

As supporting LED requires continuous learning on the part of both SDC and the implementer – as well as the stakeholders – the project design is likely to change over time. In the case of MSD and local governance/regional development projects, an inception phase is generally used at the beginning of a new project to run in-depth analyses and initiate first pilot activities. This has also been done with some of the LED projects SDC has funded to date. There are various experiences, but no clear guidance has emerged. The most important insights are:

- ▶ Budget and time is needed for preparing the LED project, including for a scoping study, the preparation of the tender document, first pilots, etc. The entry proposal will have to cover this with an opening credit, maybe even funds from a global credit for the scoping study. The question whether the opening credit also covers a more extensive inception phase or whether this should be rather done by a shorter first phase is further discussed below but will finally depend on the specific context.
- ▶ The analyses that need to be done are integral part of an LED process and should be done by the local stakeholders or at least with their involvement. The analyses also need to be continuously updated throughout the project. Hence, one can argue that an inception phase makes less sense in the case of an LED project, see also next point.
- ▶ Instead of a classical inception phase that focuses mainly on analyses, there could be a shorter first phase to test the feasibility of LED in a country and find and refine the appropriate LED model for that context. This will take around two years, as any LED project is also about inclusive (and thus lengthy) decision making processes which in the end should lead to more trust. Additional to that, the first few months will be required to set up the project structures and the last few months will be required to write the project document for the following phase.
- ▶ Given that the preparation of an LED project is relatively intensive, and LED requires to start running participatory processes and pilots immediately, it is not always possible to fund the inception phase through an opening credit, as this is often done in the case of MSD projects. Hence, a shorter first phase can be funded with the main credit.
- ▶ SDC should still be closely involved during this initial phase to take part in the learning that is continuously happening and be in a better position to support decisions on shifts and adjustments in the project and LED modality.

«After the inception phase you need to be able to tell how LED contributes to poverty reduction, gender equality, etc.»

Sohel Ibn Ali, SCO Bangladesh

Credit proposal and implementation

For LED, the credit proposal should focus on describing the process rather than the specific activities of the project as the activities might change in different regions and over time. As LED is based on participatory analysis, deliberation and planning processes, the exact activities cannot be defined in advance. Hence, in the credit proposal, the suggested LED model and how it is different from a generic model should be explained.

«It is difficult to predict the results in the beginning of an LED project. Furthermore, LED is a mix of governance and economic development. So, it needs to have both: local governance and economic development indicators in the results framework.»

Peter Beez, SDC e+i Network

For the credit proposal it is necessary to present the indicators, targets and a baseline. This is often challenging for LED as what is known in the beginning is the process, while activities that will lead to actual results will be planned and implemented by the local stakeholders once the project has set off. Alternatively, the credit proposal should project the possible results and support them with examples from other, similar contexts, ideally from within SDC. The credit proposal needs to make a case and argue with existing examples. In addition to economic indicators, it is important to also show how the local governance is going to be improved and project probably external effects on the location and its people beyond the economic indicators. This can include, for example, improved education, healthcare, or the provision of other services like water. Improving these services leads to an improvement of the place's attractiveness for educated staff for local companies.

As most activities are only developed during project implementation, the fiduciary funds in the budget (Part 4 of SDC's SOR Budget) should be kept as flexible as possible to be able to react to the priorities set by the local stakeholders. In some

other projects in SDC, we see the use of funds as a possibility to remain flexible in the way an objective is reached. As LED is a complex approach, there is also a need to add sufficient funds for capacity building into the budget, including for the implementing team, the local partners, and the stakeholders in the territories.

«Capacity of the implementer staff needs to be built, as few implementers have comprehensive experience with LED.»

Peter Beez, SDC e+i Network

Should an LED project be able to distribute grants for stakeholder activities?

Some LED projects cover with their budget only the facilitation of LED processes, the support to establish structures and policies, and building LED capacities. Others provide grants/co-funding to implement activities that resulted from stakeholder planning activities. There are pros and cons for either approach. On the one hand, there is a need for money to get things started and implement initial activities that lead to trust in the process (by seeing immediate results) and further enthusiasm with LED. It is, on the other hand, important that the stakeholders understand that it is about them owning the development of their own location, so they should also be able to mobilise the necessary funding. In many cases, having large amounts of donor funds in the system will create the perverse incentive that will lead stakeholders to participate and develop projects to be able to access the donor funds.

Local governance programmes have extensive experience with the question of funding activities that were planned in participatory processes. The dos and don'ts that can be condensed from these experiences are:

- ▶ Always include a fund – never just do the facilitation alone.
- ▶ Always co-finance the fund with the concerned ministry or an association of municipalities or private sector actors (i.e., chamber of commerce). It does not matter how much they contribute; it just needs to be determined if and how the fund will be filled once SDC exits.

Various things need to be considered when deciding to include a funds to fund activities in LED projects, including but not limited to:

- ▶ What is the financial capacity of the stakeholders to contribute to development projects?
- ▶ What is the ability of the local government to provide funding for such projects and/or adjust its budget to respond to stakeholders' priorities?
- ▶ Are there any existing funding mechanisms through national or regional governments and/or international donors that could be tapped into?
- ▶ Can the funds specify co-funding requirements instead of funding activities outright?

What time horizons should LED programmes be designed for?

Establishing effective LED processes in a country or region is a long-term aim and is thus similar to local governance programmes. They are often planned over a period of 12 years (3 phases), as such change processes need the time to "ripen". LED initiatives can seemingly start very slowly. Initially, the projects need to test whether there is some uptake for the idea of LED. It can take a long time to get the right people to the table and build the necessary trust, while at the same time making sure there are initial early results to keep the people interested in the process. Overall, experience shows that LED programmes should be planned

for somewhere between 10 and 15 years, depending on the context.

LED cannot start in too many places at the same time (also because the context can be different depending on the specific locality). There is usually a big need for learning on the job and grow slowly. If successful, an SDC-funded project could roll out LED as a process in the whole country. Alternatively, after the concept of LED has been proven successful, there could either be uptake from other areas on their own or the central government could be motivated to roll out LED to more places and eventually the whole country.

Managing and steering of a LED process

Allowing for flexibility and adjustment in the LED projects requires from SDC a relatively close engagement with the project during implementation. Hence, SDC needs to be ready to allow for flexibility in operational planning. This cuts through the thematic organisation of SCO's. Colleagues from economic development and local governance need to be involved and make sure synergies are used where possible. This could mean for example that two NPOs work together on one project.

Experiences from Honduras in managing an LED project

Flexibility is paramount! Working in the intersection between the private sector, government, civil society in a weak context with frequent fluctuations of personnel/leadership in these institutions really requires a lot of flexibility by programmes. This means:

1. Among local actors, find the people who are knowledgeable and able to facilitate
2. At SDC: knowing that flexibility is needed, be ready to have flexible operational planning and working beyond silos (if needed in teams across domains of the cooperation programme).
3. Insist that partners need to do good context analysis on an ongoing basis, for example as part of a Monitoring, Evaluation and Learning system.

Planning processes in fragile contexts like Honduras are difficult because people have immediate, urgent needs. Therefore, long-term strategies need to be paired with immediate actions that bring concrete results for the people involved. Some insights from the LED project in the Mosquitia region of Honduras:

- ▶ Building trust between private enterprise and local actors was very important but also difficult in a context

where there was much abuse by companies in value chains. It was a major challenge but also a success factor. Emphasising the economic potential of a territory and contributing to income generation is key, otherwise you lose trust, and the process is interrupted.

- ▶ We must walk at the speed of the project. Not SDC's speed, but the speed of the slowest actor involved! In the Mosquitia it has taken two years to start the process because there was no trust. But it was important because otherwise the results are not sustainable.
- ▶ As an NPO, you must get out of your comfort zone! As an NPO you need to spend more time on the ground than in other types of projects, you need more direct interaction with business, government, civil society. Although there are implementers, SDC must get involved. Its role is not limited to the role of funder. The implementer and local actors often do not have access to the government - SDC can open these doors. It is a facilitating role that SDC must take, but it only works if one knows the actors, the relationships, the conflicts, etc. This provides the basis for meaningful methodological inputs.
- ▶ Finally, there is the importance of documentation of the process: there is a lot of rotation within SDC, but also at the government level. If the process is not documented, it becomes complicated.

Carlos Melara, SCO Honduras

Steering structures for LED projects

In every LED project, there will be challenges and there is going to be a lot of learning-by-doing. Normally steering committee meetings are twice a year. In new LED projects, this might have to be increased, at least between SDC and the implementer. This is required to ensure adaptive management while still having accountability. Top-down steering is often difficult in LED. Local actors need to be part in the steering committee, responsibility should also be given to the actors at the local level.

A discussion needs to take place which government level the steering committee should be anchored on. A balance is needed between the government, which needs to align the priorities of a project with its general economic development strategy, and the stakeholders' priorities, which should not be overruled by the government.

The example of Bangladesh is interesting. For the second phase, the LED project introduced a steering structure consisting of different bodies:

- ▶ Project steering committee following government rules (all government and non-government stakeholders involved in implementation) – meeting bi-annually
- ▶ Strategic guidance board (people outside project management – SDC headquarters, implementer headquarters, expert on Bangladesh economic issues) – meeting bi-annually
- ▶ Project implementation board (SDC and the implementer) – monthly meetings in the beginning of the second phase as many things need to be ironed out, later bi-monthly and then every 3 months.

Monitoring of LED projects

Monitoring LED projects can follow a similar logic to MSD and local governance projects. The DCED Standard can be applied to LED projects with the limitation that project activities are not clear in the beginning and, hence, intervention plans, and results chains can only be developed after the participatory planning processes. In addition to monitoring the results of the interventions that are planned locally, there can be an intervention plan with milestones to monitor the overall LED process on the project level.

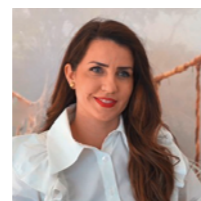
As with other projects, it is important to use planned results and milestones to assess the progress of an LED project. But the involved staff also need to do field visits to see what is going on and see whether reported results are plausible.

«When thinking about results, it is important to ask which indicators are useful to prove the Theory of Change of the project.»

Andrea Iff, DDLG Network

As mentioned above, LED projects are situated at the interface of local governance and economic development. Consequently, the results will have aspects of improved local governance and of improved economic performance of a region.

There needs to be some flexibility in the way how social and economic development of a territory is assessed, as the local stakeholders are driving their own agenda that might lead to different types of results or the results are showing more slowly. Also, LED produces not just quantitative economic results, but also typical local governance results which need different indicators that measure for example social cohesion, strengthened local identity, or better political dialogue. The improvements in coordination and collaboration of the stakeholders locally are supposed to have an effect over the duration of the project. For example, in the case of the cross-border projects in Western Africa, an important result was that the involved regions and actors became aware of their strengths, established trust and this enabled better cross-border trade infrastructure and communication.



«LED is clearly in the space between more qualitative local governance indicators and the harder economic development indicators. There needs to be both, but the quantitative indicators need to be flexible so the implementer cannot necessarily be accused of not achieving them if in fact the local stakeholders were driving their own agenda that might have led to different types of results or the results are showing slower than expected.»

Milica Mihajlovic, SCO Serbia

LED projects are expected to deliver a mix of both quantitative and qualitative results. Potentially also longer-term economic indicators can be used like for example tax income of the municipalities, growth of companies or investments made in the region. These measures are, however, influenced by many different factors and not always easily attributable to the project. Indeed, in local governance programmes, tax income is sometimes a targeted output that can then be more easily attributed.

What internal capacities are needed at the SCO?

As mentioned in the beginning of this document, LED is contributing to building and strengthening local structures so the actors in a region or country can take their development into their own hands. This idea – and the realisation that LED can indeed contribute to this – needs broad buy-in in the SCO, including the management of the office. There needs to be a clear understanding of why LED is done, otherwise it is going to be difficult to convince stakeholders and head office colleagues. The SCO needs knowledge and capacity to respond to questions from the head office. This could mean that a backstopping mandate (always with local knowledge) is required, at least in the beginning.



«Program managers in economic development need to know and understand private sector actors, their stakes and their interests. They also need to have competences on public-private partnership and how to convince the private sector to invest into sustainable economic development alongside local authorities.»

Laleye Babalola Gérard, DDLG Network, Regional Advisor West Africa

LED requires both thematic expertise as well as methodological expertise:

- ▶ An understanding of both local governance support and economic development is required, as well as the interface between the two. Transversal capacity beyond individual thematic silos is a great asset.
- ▶ An understanding of facilitating inclusive processes and having difficult multi-level conversations, understanding the powers and interests of both public and private sector, as well as how to include citizens perspectives in an inclusive way.

«In all these steps, we must not be afraid of new approaches. Involve people who know the approaches well, build on their expertise. And rely on local actors, they are responsible for their future. We are facilitators, we contribute a little bit, we accompany.»

Ibrahima Ba, previously SCO Niger



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