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The American University in Cairo  
School of Global Affairs and Public Policy

# PROMOTING LOCAL ECONOMIC DEVELOPMENT IN EGYPT

*Challenges and Lessons Learned from the Case of Fayoum Governorate*

A Thesis Submitted to the Public Policy and Administration Department  
in Partial Fulfillment of the Requirements for the Degree of  
Master of Public Administration (MPA)  
Fall 2016

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## **Dedication**

I dedicate this work to the ones who made it all possible, who have always been there for me, supporting every decision I make, and surrounding me with unimaginable amount of love and care, who have always put my life ahead of theirs, to my mother and father. It would not have been possible without you!

## Acknowledgments

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I would like also to express my acknowledgements to the team of the Local Administrative Reform Unit (LARU) at the Ministry of Local Development in Cairo and the amazing team behind Fayoum Local Economic Development Strategy at LARU unit in Fayoum. They all represent the example of competent, passionate, and hard-working public servants who continue to do a great job regardless of any challenges they might encounter.

I am also extremely thankful and grateful to Yousef Jameel GAPP Public Leadership Program that has awarded me its generous fellowship which without it it wouldn't have been possible for me to be part of this amazing learning experience that I have been part of for the last two and half years.

Last but not least, I'd like to thank my beloved brother Mohamed and all my dear friends for their continuous encouragement and support during the most difficult times and for helping me enormously to bring this research to completion.

## **Abstract**

Local Economic Development continues to emerge as an important and a viable tool for achieving economic growth, creating new jobs, increasing income level, and improving the quality of life in different local communities, in both industrialized and developing countries. There are a number of different approaches to promoting Local Economic Development (LED), yet they all share a common rationale: assessing the local economy, identifying different challenges and economic potentials, coming up with a set of proposed interventions and projects, and collaborating with different local and national actors to implement those interventions and projects. Local administrations in Egypt, however, have little experience in adopting such comprehensive strategic planning approach to plan, manage, and develop their local economies. This study adopts a qualitative research approach by analyzing in-depth interviews conducted with a number of relevant local and national actors in order to explore one of the most solid LED promotion experiences ever to take place in Egypt: Fayoum LED Promotion Experience. The study was able to identify a number of external and internal challenges that hindered the full realization of the LED promotion process objectives in Fayoum. The main recommendations to overcome those challenges as suggested by this study include: institutionalize the LED promotion process, guarantee a formal political commitment to the process, develop a national framework for LED promotion, and move towards a decentralized local administration system. The study also proposes an alternative participatory partnership-based approach; Government-Led Active Partnership Approach (GAPA), that is designed on the assumption that local administrations have to promote LED within the currently identified challenges.

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## **List of Abbreviations**

<b>BOM</b>	Business Opportunity Mapping
<b>BRT</b>	Bus Rapid Transit
<b>CCDS</b>	Central City Development Strategy
<b>CCID</b>	Central City Improvement District
<b>CSE</b>	Cooperative for Sekem Employees
<b>EBDA</b>	Egyptian Biodynamic Association
<b>ELC</b>	Executive Local Council
<b>ENID</b>	Egypt Network for Integrated Development
<b>EU</b>	European Union
<b>FIFA</b>	Fédération Internationale de Football Association
<b>GAFI</b>	General Authority for Investments
<b>GAPA</b>	Government-Led Participatory Approach
<b>GDP</b>	Gross Domestic Product
<b>GIZ</b>	The German Federal Enterprise for International Cooperation
<b>GST</b>	General Sales Tax
<b>GTZ</b>	German Technical Cooperation Agency
<b>IDA</b>	Industrial Development Authority
<b>IFAD</b>	International Fund for Agricultural Development
<b>IFC</b>	International Finance Corporation
<b>IFIs</b>	International Financial Institutions
<b>ILO</b>	International Labour Organization
<b>IOM</b>	International Organization for Migration
<b>IP</b>	Intellectual Property
<b>IPCL</b>	Intervene-Promote-Collaborate-Lobby
<b>ISIC</b>	International Standard Industrial Classification
<b>JBDC</b>	Jamaica Business Development Corporation
<b>JICA</b>	Japan International Cooperation Agency
<b>Km</b>	Kilometre
<b>KPIs</b>	Key Performance Indicators

<b>LARU</b>	Local Administrative Reform Unit
<b>LC</b>	Local Council
<b>LED</b>	Local Economic Development
<b>LEDAs</b>	Local Economic Development Agencies
<b>MENA</b>	Middle East and North Africa
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MoLD</b>	Ministry of Local Development
<b>MSMEs</b>	Micros, Small, and Medium-Sized Enterprises
<b>NGO</b>	Nongovernmental Organization
<b>OECD</b>	The Organisation for Economic Co-operation and Development
<b>PACA</b>	Participatory Appraisal of Competitive Advantage
<b>PLC</b>	Popular Local Council
<b>PWSTA</b>	Pulau Weh-Sabang Tourism Association
<b>R&amp;D</b>	Research and Development
<b>SCZone</b>	Suez Canal Zone
<b>SDF</b>	Sekem Development Foundation
<b>SDGs</b>	Sustainable Development Goals
<b>SFD</b>	Social Fund for Development
<b>SMEs</b>	Small and Medium Sized Enterprises
<b>SSA</b>	Sub-Saharan Africa
<b>SWOT</b>	Strengths, Weakness, Opportunities, Threats
<b>TOWS</b>	Threats, Opportunities, Weaknesses, Strengths
<b>UN</b>	United Nations
<b>UN-Habitat</b>	United Nations Human Settlements Programme
<b>UNCDF</b>	United Nations Capital Development Fund
<b>UNDP</b>	United Nations Development Programme
<b>UNESCO</b>	The United Nations Educational, Scientific and Cultural Organization
<b>UNIDO</b>	United Nations Industrial Development Organization
<b>US</b>	United States
<b>USA</b>	The United States of America
<b>VAT</b>	Value-Added Tax

## **CHAPTER 1: Introduction and Research Objective**

### **1.1. Introduction**

Local Economic Development (LED) has emerged as a global trend that became most popular in the developing world, especially in South Africa, in the 1990s (Patterson, 2008). It gained a lot of momentum –and still continues to do- as a very vital and viable instrument of creating job opportunities, exploring the economic potentials, and improving the business and investment climate at different local levels.

Promoting local economic development is based primarily on following a strategic thinking approach to economic planning. It should start with assessing the current economic situation, deciding on specific objectives and a shared vision for the local economy, and coming up with strategies and action plans that should eventually lead to realizing those agreed-upon objectives. International organizations have developed various approaches and methodologies to promoting local economic development, some of them will be highlighted in this study.

Egypt has little experience promoting local economic development in the sense of adopting comprehensive strategic planning efforts that are made at the local level to assess the local economic status and create local economic development strategies. However, one of the recent and most important LED experiences in Egypt took place during the last five years in Fayoum Governorate. That experience was implemented by the Local Administrative Reform Unit (LARU) in Fayoum Governorate under the direction of LARU's central unit in the Ministry of Local Development (MoLD) and with the technical and financial support of United Nations Development Programme (UNDP) and United Nations Capital Development Fund (UNCDF) between 2011 and 2014.

This study will highlight and will closely examine this experience in order to understand the challenges and different negative externalities and internalities that have faced Fayoum LED promotion process and affected its outcomes. Doing so should provide better understanding of how to effectively and efficiently promote local economic development in Egypt and how to overcome or deal with the current challenges and build on the available resources and local assets.

### **1.1.1. Defining Local Economic Development (LED)**

As one would expect there are many definitions of local economic development proposed by different organizations based on the approach each of them is following. According to the World Bank (2016a) “the purpose of local economic development (LED) is to build up the economic capacity of a local area to improve its economic future and the quality of life for all” (World Bank, 2016a).

It approaches LED as a collective endeavor undertaken by various stakeholders: public, non-governmental, business, and community representatives, with the purpose of developing the local economy and creating employment opportunities. In that sense, LED is primarily about enhancing local competitiveness, developing local business climate, attracting investment, retaining jobs, and improving incomes (World Bank, 2016a).

United Nations Human Settlements Programme (UN-Habitat) uses what might look like a similar definition: “Local economic development (LED) is a participatory process where local people from all sectors work together to stimulate local commercial activity resulting in a resilient and sustainable economy. It is a tool to help create decent jobs and improve the quality of life for everyone, including the poor and marginalized” (Trousdale, 2003).

Though it might seem similar to the World Bank definition of LED, it shows increased emphasis on the pro-poor aspect of local economic development, where it includes among the many objectives of LED the quality of life aspect that should be reflected on the poor and the marginalized groups.

As per International Labor Organization (ILO) definition of LED, the promotion of local economic development should drive employment creation through building on the comparative advantage of a locality (ILO, 2016).

In order to better understand local economic development, we need first to articulate our understanding of the terminology itself:

### **1.1.2. The ‘Local’ in LED**

It is difficult to define local in absolute terms; it is rather a matter of perspective. Typically, Local refers to a location within a broader context. In that sense, local might mean a village, a municipality, a city, region, or even a nation in the context of the global economy (Ettlenger, 2001).

Though many of the problems that face different local communities around the world are similar to a certain extent, the locality in LED imposes the uniqueness of each local community due to the governing structures and the socioeconomic and political nature of each locality, rather than the technicality of the problem itself (Porter, 1990).

### **1.1.3. The ‘Economic Development’ in LED**

There are different school of thoughts on how to approach and measure economic development and economic growth. Neoclassical approaches look at growth in terms of aggregate indicators like income, employment, and population. From the perspective of political economy, economic development should also focus on qualitative changes in aspects like work situations, living conditions, appropriate compensation, and skills development (Ettlenger, 2001).

GDP per capita as a standard measure of economic growth has been largely debated, most often from the perspective of social justice and equity. Economic development must be conceived with regard to the just and efficient distribution of economic resources (Roemer, 2013).

Kelso and Adler (1958), defined economic justice according to three interdependent and essential aspects: Participative Justice which is considered as the the input principle where each and every individual participates with its input to the economic process, Distributive Justice which is considered as the out-take principle since participation does not always guarantee equal results distribution justice should ensure that every participant gets what is equivalent to its contribution, and Social Justice as the corrective principle which should correct any distortion in the input/out-take balance to ensure just economic order (Center for Economic and Social Justice, 2016).

Economic development within the context of LED takes into account the various aspects of social justice and equity since it starts with the owners of the local community themselves planning and managing their local assets.

## **1.2. Research Objective**

This study aims at examining the status of promoting local economic development in Egypt to understand what are the challenges that might obstruct the ability of local administrative systems in Egypt to effectively promote and achieve local economic development, and what can they do to overcome these challenges.

In order to do that, this study aims at exploring the following specific research questions:

- 1. What are the challenges that face and affect local administrations at the governorate level in Egypt in their endeavors to effectively and efficiently strategize, plan, and achieve local economic development?***
- 2. What are the interventions that can help local administrations at the governorate level in Egypt to eliminate or overcome those challenges in order to effectively and efficiently strategize, plan, and achieve local economic development?***

Investigating these research questions should present a guiding framework and basis for local administrative systems in Egypt to effectively and efficiently achieve local economic development, and enable policy makers and decision makers to create an enabling environment that facilitates the successful and effective implementation of local economic development initiatives.

These questions are answered through the analysis and the close examination of a single case study: Fayoum LED promotion experience, which is one of the most comprehensive –with regard to its scale and extent of coverage of various economic sectors- local economic development strategic planning initiatives ever to take place in Egypt.

### **1.3. Importance of the Study**

This study comes to fill a huge gap in the academic literature on the status of Local Economic Development (LED) promotion in Egypt. It also contributes to formulating a better understanding of the different challenges that might face local administrative systems in Egypt, especially following the decision of the Minister of Local Development to establish LED teams in all of the 27 governorates in Egypt (Senior Official at Ministry of Local Development (MoLD), one-to-one interview, December 6, 2016).

The aim of the study is to analyze one of the most comprehensive LED promotion initiatives –with regard to its scale and extent of coverage of various economic sectors- ever to take place in Egypt which should guide future LED promotion endeavors towards better and more effective implementation of LED promotion initiatives.



## CHAPTER 2: Literature Review

### 2.1. Why LED?

The interest in LED as an economic development approach varies from one location to another. In poorer countries, LED was approached as a survivalist strategy which is often understood as self-reliance where due to limited and basic support from the central government along with scarce local resources local communities tend to collaborate and innovate grassroots interventions that support and empower their local economy and eventually enhance their quality of life (Gooneratne & Mbilinyi, 1992).

In other locations, many challenges face local governments like the complexity of regulations and permits issuance, poor infrastructure, and ineffective land management policies which all affect the growth of local economies and the local business environment. Because of these challenges, along with the limited support from the central government, LED can become an effective strategy to build on the existing resources and bring more external resources to the community in order to address those challenges and effectively fix the business climate and local economic practices in response to the specific needs and the economic potentials of that particular locality (EGAT/UP & The Urban Institute, 2016).

With politically decentralized localities comes another political rationale to promoting local economic development. Elected local officials need to raise and affirm their legitimacy, and most probably they want to be re-elected by their constituents. In that situation LED -which its main objective is employment creation- seems to be a viable option for many politicians to raise the living conditions and incomes of the electorate and especially the low and middle-income segments (Cunningham & Meyer-Stamer, 2006).

Due to its long history as an established practice in most industrialized states and home countries of donor organizations, LED is promoted as an important task of the local government in most developing countries (Cunningham & Meyer-Stamer, 2006).

In some countries -like in South Africa- LED has evolved to be a mandatory task of any local government, a mandate that is stated by the constitution. However, the practice itself still needs to follow a consistent pattern, especially when it comes to implementing LED practices (Tomlinson, 2003).

In many countries, the case is that central governments are adopting decentralization policies, which is accordingly reflected in delegating part of the task of promoting economic development to the local governments with the premise that promoting economic development will be easier and more effective when it is done at the local level, and also it relieves huge burden from the shoulders of the central government (Meyer-Stamer, 2003).

## **2.2. How LED works? The Economic Rationale**

Market economies' main premise is that supply and demand forces are the best determinants of aggregate well-being (Investopedia, 2005). The reality of markets, however, does not reflect the assumptions of an ideal market according to the neoclassical model. In reality, market failures often occur, which requires interventions from beyond the market invisible hand (Britannica, 2016).

At the local level, many market failures can be remedied through the government interaction, which in turn can help better grow and develop the local economy, and this is where local economic development strategies work best (Mesopartner, 2016).

An example of such market failure is building a road that connects two cities in two hours instead of six hours prior to building the road, which can help fishermen in one city sell their fresh products early enough to the other city instead of storing them at high and

uneconomic cost. In reality, no one would be interested in building the road, simply because it is nearly impossible to make any return on investment (ROI) out of such project. This where the government interaction is most needed to provide this public service -that also helps grow the economy- that resembles a market failure from the private sector perspective.

Another example is organizing an investment forum to promote the economic potentials of a particular locality and to link investors with local entrepreneurs and businessmen. Such activity, though it might have great impact on local economy, will not be implemented unless some public intervention takes place.

In simple terms, local economic development approach focuses on interventions that can develop and grow the local economy, and would not have been implemented if it was left for the freely competitive market to take care of. Fixing the local business environment, or upgrading the outdated infrastructure, promoting investment opportunities, or starting an entrepreneurship development program are all examples of where LED directly fits. However, after promoting an investment opportunity, for example, it is up to the market to take advantage of it since it should generate a reasonable return on investment.

### **2.3. LED Approaches and Strategies**

Several approaches are being used by both industrialized and developing countries. Traditionally, local economic development efforts focused on the zoning of industrial areas, developing those areas and attracting external investments, and bridging between the private sector and the public institutions. Recently, local economic development endeavors started to become much more proactive and much more strategic using instruments like the promotion of economic clusters, entrepreneurship development, information management, and technology incubation and transfer (Meyer-Stamer, 2003).

A dominant approach to promoting LED is strategic planning for economic development. This approach which is widely adopted and promoted by many donor organizations like

UN-Habitat and the World Bank follows systematic stages that end with shaping an economic profile of a certain locality that demonstrates its local competitive advantage (World Bank, 2010) (UN-Habitat, 2009). However, the problem with this approach that is widespread in Latin America is its high cost, long timeframe, and the need for highly trained and skilled calibers (Meyer-Stamer, 2003).

Another approach which has been adopted by agencies such as ILO is the creation of local economic development agencies (LEDAs) (Boekel & Logtestijn, 2002). The rationale behind the establishment of such agency is to give it some autonomy, away from the bureaucratic regulations of the government, to operate in a business-like manner that guarantees the effectiveness and efficiency of its activities. Suez Canal Economic Zone (SCZone) which aims to be an Egyptian premier investment destination for regional and international companies is an example of that type of entities that is affiliated with the government, yet acts as an independent specialized entity (SCZone, 2016).

The Club du Sahel, and the OECD have been promoting for some time an approach called ECOLOC which was implemented in a number of African countries. The approach consists of three stages: a four to six months of economic studies and assessments, a second stage, similar in duration, that focusses on dialogue and consultation, and a third stage that aims to revive the local economy based on the strategies developed. This process is led by the local government in partnership with different local actors (Club du Sahel & OECD, 2001).

A different, yet crosscutting, approach is cluster promotion. This exercise which also has been adopted by the World Bank in numerous countries aims at transforming an agglomeration of producers that is relatively limited in scale and competitiveness into a very competitive and specialized industrial district (Altenburg & Meyer-Stamer, 1999).

All these approaches and many others, though they differ in methodology, they are mostly alike in their objectives. When it comes to promoting local economic development, the aim always includes: defining, enhancing, and promoting local competitiveness, creating employment opportunities, and improving incomes.

Whether it is a strategic planning process that is carried out by the local government or it is a specialized local economic development agency (LEDA), the process always includes implementing a number of these activities (World Bank, 2010):

- *Ensuring that the local investment climate is functional for local businesses;*
- *Supporting small and medium sized enterprises;*
- *Encouraging the formation of new enterprises;*
- *Attracting external investment (nationally and internationally);*
- *Investing in physical (hard) infrastructure;*
- *Investing in soft infrastructure (educational and workforce development, institutional support systems and regulatory issues);*
- *Supporting the growth of particular clusters of businesses;*
- *Targeting particular parts of the city for regeneration or growth (areas-based initiatives);*
- *Supporting informal and newly emerging businesses;*
- *Targeting certain disadvantaged group (World Bank, 2010).*

Different models and frameworks were developed by different entities and donor organizations to provide guidelines for promoting local economic development. Most of these models adopted a strategic planning approach that assesses the existing business and economic climate and aims at developing strategies and interventions that can achieve economic growth and prosperity at the local level. For the purpose of this study, three models will be highlighted which provide an insight on the local economic development process from a strategic planning perspective: United Nations Human Settlements Programme (UN-Habitat) model, the World Bank model, and the Participatory Appraisal of Competitive Advantage (PACA®) model which is increasingly pursued by German technical assistance (GTZ).

### **2.3.1. UN-Habitat Model**

As part of its interventions in developing local communities around the world, UN-Habitat has witnessed many local economic development initiatives that got unnecessarily stuck, lost momentum, or could not even manage to start in the first place.

Based on those experiences and lessons learned, UN-Habitat has developed “The Local Economic Development Series” which consists of 5 modules that explain and provide detailed guidelines on implementing and promoting local economic development (UN-Habitat, 2005).

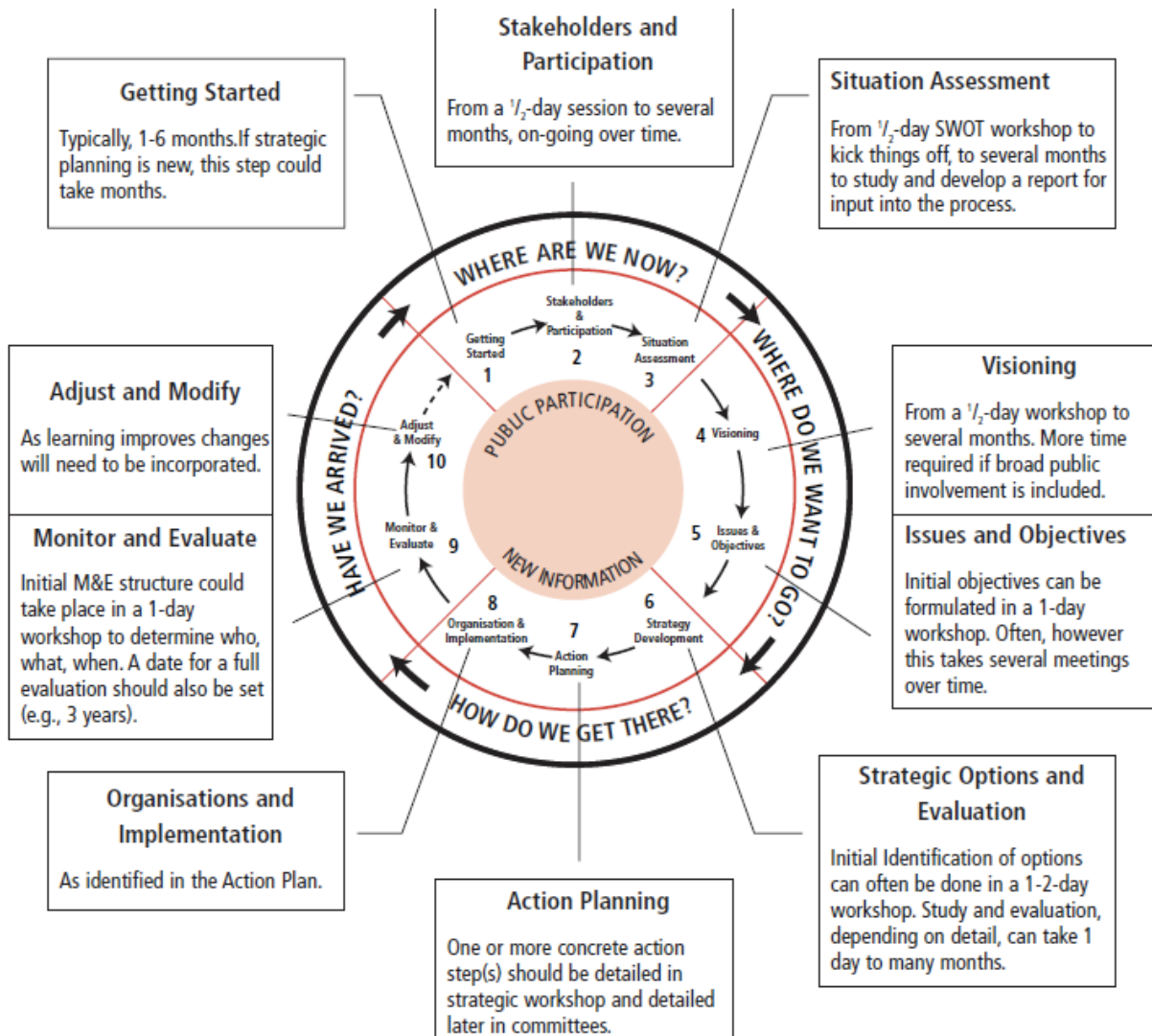


Figure 1. Promoting LED Through Strategic Planning  
Source : UN-Habitat, 2005 (excerpts are authorized by the author).

In its model, UN-Habitat adopts the same strategic planning approach that was widely applied as part of its interventions in urban planning and local communities' development. UN-Habitat advises that the local economic development process starts with planning the planning process, build commitments and trust among different stakeholders, assess the organizational capacity, define the planning scope and questions,

and recruit the LED team. The model moves afterward to explain how to establish and structure a diversified stakeholders' group. The next step in the process is the economic assessment which is considered as one of the core functions of the local economic development process (UN-Habitat, 2005).

Different types of assessments are carried out by a group of technical experts following participatory approaches; livelihood assessment analysis, supply chain analysis, gender analysis, SWOT (Strengths-Weaknesses-Opportunities-Threats) analysis, etc. Based on that comprehensive and detailed assessment of the economic situation and activities in a certain locality, goals, objectives, strategies, and interventions are to be developed (UN-Habitat, 2005).

The model then continues to advise on the creation of detailed action plans, programs, and projects. Proper documentation and monitoring should be conducted throughout the whole process which ends by implementing these planned interventions/actions. Finally, evaluation of the process, the outputs, and the outcomes of the local economic development process should be conducted to suggest changes and improvements to the whole process at different levels (UN-Habitat, 2005).

This model is considered to be one of the most orthodox and systematic approaches to promoting local economic development. However, there are challenges that would face public institutions trying to implement this approach. The model requires detailed and comprehensive assessment of the economic situation, which would take months to implement. Also, it requires detailed planning of the proposed interventions and projects which might also take several months. In that sense, such strategizing would require high level of financial and human resources, a diversified set of skills and intensive training for the LED team, especially if it was their first time to conduct such exercise, and of course it would mandate political commitment and support of a process that might take months -and maybe even years- with almost no tangible or achievable results in the short term.

### **2.3.2. The World Bank Model**

In the World Bank publication: “Local Economic Development: A Primer Developing and Implementing Local Economic Development Strategies and Action Plans”, the Word Bank also adopts a strategic planning approach where it starts with organizing the efforts, then continues with assessing the economic situation, developing strategies and interventions, creating action plans, implementing planned interventions/actions, and it ends with reviewing and evaluating the whole local economic development process (Gwen, Soraya & Fergus, 2006).

The major difference between the Word Bank model and UN-Habitat model is the Word Bank’s emphasis on the importance of building political processes that facilitate the LED process, and ensuring that the institutional arrangements and governance structures are aligned and well thought of in a way that does not hinder the process; instead they should increase its effectiveness and efficiency. It also focuses on maintaining effective partnerships among different stakeholders, and on the channels of communication and collaboration among different partners and entities, especially governmental entities (Gwen, Soraya & Fergus, 2006).

The World Bank approach reflects, to some extent, its experience in promoting economic development in industrialized countries. However, since it is mandated by the UN General Assembly, UN-Habitat approach focuses on social, environmental, and sustainable growth of cities where adequate shelter should be provided for all. This approach is reflected on UN-Habitat LED promotion methodology that is apparently affected by these urban planning concepts. This approach is stemming form UN-Habitat experience in developing countries and transformation economies (Cunningham & Meyer-Stamer, 2006).

### **2.3.3. Participatory Appraisal of Competitive Advantage (PACA®)**

PACA model was designed in response to the challenges that face developing countries when trying to implement orthodox local economic development promotion strategies proposed by donor organizations like the World Bank and UN-Habitat.



The premise of PACA is that local economic development can be realized through conceptualizing LED as a gradual and accumulative learning experience rather than a straightforward, systematic steps that neglect the reality of the institutional arrangements and knowledge base existing in most developing countries with little or no experience in promoting economic development at the local level (Cunningham & Meyer-Stamer, 2006).

What happens when a developing country with little or no experience in promoting LED starts to implement an LED promotion initiative is that it looks at the grand projects that were successfully implemented in industrialized countries as role models in promoting LED in their localities. The dilemma here is that they do not consider those countries' accumulative experience over decades in promoting LED in their localities. They spend months working on strategies and writing detailed plans, and when it comes to implementation, they find themselves stuck with rigid systems, limited funding, and underdeveloped business and community networks. Instead, they start to implement modest projects and activities with limited economic impact, which will most probably be criticized by different local actors who also consider many grand projects and success stories in industrialized and developed countries as role models that they aspire to. Also, most LED initiatives rely on voluntary participation of many local actors who would attend meetings and do a lot of work on unpaid terms (Cunningham & Meyer-Stamer, 2006). Therefore, the LED initiative should include quick wins and tangible/visible results that can motivate those local actors to dedicate more time and effort in implemented the suggested LED proposed activities (Meyer-Stamer, 2005).

PACA method was developed to address such dilemma. It functions in a business-like manner that searches for quick gains and starts an accumulative learning process that starts with quick-return simple activities and move towards more complex and ambitious projects. It does not disregard the aforementioned LED strategic planning methodologies; instead, it considers them as objectives that can be realized after building the capacity of the local actors and acquiring considerable knowledge and learning experience that enable the LED team to formulate multiple-years strategy for their local economy (Meyer-Stamer, 2005).

The core of this methodology is that instead of fancy grand projects -though they might have high economic impact- that require massive resources, long time, and tons of concrete in establishing them, it focuses on practical short-term projects that aim at improving the business environment and showcasing existing business opportunities (Meyer-Stamer, 2005).

### **How PACA Exercise Works?**

A PACA exercise typically starts with a team of four to eight persons who conduct rapid appraisal/assessment of the economic situation in their locality. The activities start with the rapid appraisal through a preparatory phase where the available data and information are assessed followed by a phase of intensive research that includes a number of fieldwork activities. The output of this exercise which should not last more than two weeks is a limited set of elaborate practical proposals to be implemented by different local actors. After six months, PACA appraisal workshops are organized to assess the progress and come up with a new round of activities (Meyer-Stamer, 2005).

The ultimate goal of a PACA exercise is to identify the competitive advantages and disadvantages of a certain locality and practical activities proposals. The team should be assisted with one or two external experts/consultants and a limited group (three to six) of diverse local actors (business associations, NGOs, local university, etc.) (Meyer-Stamer, 2005).

### **Examples of PACA Activities:**

- A strategy was designed few weeks after a PACA exercise was implemented in Brusque, Brazil to overcome the resistance against a zoning law that had been blocked by the city council for two years, and it was passed few weeks after the implementing the strategy suggested by the exercise (Meyer-Stamer, 2005).
- Also in Brusque, Brazil, another project was successfully implemented which enabled local ceramics industry and the tourism industry to collaborate and launch a special

award for the hotels and restaurants that use locally-manufactured ceramics, and also to organize touristic visits to the ceramics manufacturing plants (Meyer-Stamer, 2005).

- Another example is from Chiang Mai, Thailand where garments companies agreed to jointly source raw materials used in production (Meyer-Stamer, 2005).
- In Queenstown, Eastern Cape, South Africa, following a PACA exercise a local tourism association was re-launched despite the fact that mostly everyone had a belief that tourism was not a viable option for that locality (Meyer-Stamer, 2005).
- In Kundasale, Sri Lanka, bricks manufacturers started a joint brand and a label for their products (Meyer-Stamer, 2005).
- Also, an initiative had been implemented to check and standardize the weights used by middlemen in El Oro, Ecuador who buy the catch of the fishermen in that town (Meyer-Stamer, 2005).

## **2.4. Generic Locational LED Policy vs. Strategic Locational LED Policy**

There are two main ways to approach local economic development from a strategic planning perspective. The first approach is ‘generic locational policy’ which is the most straightforward approach to tackle LED. This approach/policy is all about creating a favorable environment for local business without specifically targeting certain sectors or companies. By doing so, the locality creates a method of attraction for companies from different sectors that might find it preferable to operate in that locality under those favorable conditions instead of going for another less organized with less favorable conditions location (Cunningham & Meyer-Stamer, 2006).

Practically, a generic locational policy might include assessing the consistency, effectiveness, efficiency, and necessity of local regulations and accordingly doing effort to make those regulations and rules easier to handle, more transparent, and more

responsive to the needs of the private sectors (for example: the establishment of one-stop agencies, creation of real estate information systems, or marketing efforts to promote the location and its business environment (Cunningham & Meyer-Stamer, 2006).

The second approach/policy is the ‘strategic locational policy’ which is different in one main aspect which is agreeing on a specific direction or strategy and not to leave the upgrading and economic development process entirely to the invisible hand of the market. (Cunningham & Meyer-Stamer, 2006). Cluster promotion strategy could be related to that policy where a certain locality promotes economic development with a specific sector or an industry in mind in order to highlight and improve its local competitiveness and locational uniqueness (Knorringa and Meyer-Stamer 1998).

## **2.5. LED and Sustainable Development Goals (SDGs)**

United Nations Sustainable Development Goals (SDGs) is a set of 17 goals with 169 integrated and indivisible associated targets. World leaders have pledged those goals as a common action and endeavor towards a universal policy agenda as a path towards sustainable development (United Nations, 2016).

LED contributes to the economic pillar of sustainable development, but in a socially-conscious way. So, it hits on the economic and social dimension and hence more leverage on sustainable development.

SDGs become real at the local level, where people express their needs, challenges, and aspirations, and at that local/territorial level, SDGs can have their maximum impact on people’s life. In that sense, local economic development resembles a very viable approach for the effective implementation of those 17 goals at the local level. LED is completely rooted in the specificity of the local context and driven by the vision of different local actors and stakeholders, in that way LED can effectively localize SDGs to find locally innovated solutions for the most pressing global challenges (Third World Forum of Local Economic Development, 2015).

## **2.6. Decentralization and LED**

Current decentralization reforms taking place in many countries resemble an opportunity to tap into the huge existing potentials of local economies (ILO, 2016). Decentralization can drive and empower local actors to promote and strategically plan for their local economy through three main paths:

### **2.6.1. Democratic Local Governance**

Locally elected officials are most accountable to their constituents. Like almost every politician, they want to be re-elected to their positions. One way to do that -if not the only way- is to improve the local economic situation. The most straightforward and important measures of that level of economic development in a certain location are the unemployment level and the income level (Bartik, 2017). In that sense, LED is a very viable strategy that can enable locally elected politicians to create employment opportunities, increase income level, and eventually improve the general quality of life of their constituents (Bartik, 2017).

### **2.6.2. Fiscal Decentralization**

The key indicator of fiscal decentralization is the fiscal impact of sub-national governments relative to the overall impact of government (Schneider, 2003). Through fiscal decentralization, local governments can generate their own revenues, collect their share of local taxes, and plan their own budgets. LED can be significantly driven by fiscal decentralization as once local governments are able to generate and collect financial resources and decide how they should be spent, they will consequently be burdened by the responsibility of planning different types of projects and interventions so it can utilize the existing resources. Also, once a local government and different local actors understand the impact of local economic development on the level of revenues that will be eventually reinvested into the local community again, they will be most motivated to dedicate their time and effort into the LED planning process (Schneider, 2003).

### **2.6.3. Pressure from the Central Government**

In places where decentralization reforms are advancing, central governments tend to delegate considerable part of their economic development planning tasks to the local governments. As a result, local government will be under continuous pressure and monitoring by the central government to ensure effective and efficient delivery of the planned economic development tasks. In some countries, even developing ones like South Africa, it is mandated by the constitution that local governments are responsible for the economic development and promotion of their localities (Cunningham & Meyer-Stamer, 2006).

There is a problem, however, that takes place wherever there is decentralization of responsibilities with no accompanying decentralizations of funds or taxation policies. In such situation, the result would be a local government that is burdened with massive responsibilities yet remains underfunded. The focus of those local governments will probably shift towards immediate and pressing issues like the need to upgrade outdated infrastructure and the investment in some social welfare programs (Cunningham & Meyer-Stamer, 2006).

In order to study the relation between decentralization policies and local economic growth, Stansel (2005), used a data set of 314 United States (US) metropolitan areas. The results showed a negative relationship between the central city share of metropolitan area population and local economic growth, while there was a positive relationship between both the number of municipalities/100,000 residents, and the number of counties/100,000 residents and local economic growth. Those results support the hypothesis that local economic growth can be enhanced by decentralization. That study was considered to be the first empirical evidence on the assumption that decentralization can be considered as an effective tool that facilitates the promotion of local economic development (Stansel, 2005).

## 2.7. LED Exercise and The Right Timing

Regardless of which approach the LED team might follow, there are some preconditions which can indicate whether it is the right timing to start LED exercise or not. Though many of those preconditions are critical to the success of the process, the process can still succeed even if one or more of those preconditions have not been realized, which is subject to the specific context existing in a particular location at the time of the implementation:

1. The presence of reform-oriented leaders with the determination, energy, and willingness to work and collaborate with their local community. Those leaders are expected to bring together public, private, and local community representatives to work together on implementing LED activities (EGAT/UP & The Urban Institute, 2016).
2. The presence of competent technocrats and public servants and well established public-private institutional arrangements. The competency of those public servants is very essential, and yet, it is very critical since it is most often that staff capacity in local governments is relatively weak (EGAT/UP & The Urban Institute, 2016).
3. The existence of a national economic policy and institutional structures that stands behind the promotion of economic growth in different sectors. Having LED as part of a broader national strategy and agenda would give the process much higher visibility and impact as it can rely on human and financial resources at the national level (EGAT/UP & The Urban Institute, 2016).
4. An active and an organized local business community that is willing to collaborate with local government to promote LED activities. Business associations can play a very vital role in facilitating public-private partnerships (EGAT/UP & The Urban Institute, 2016).
5. The LED team is connected to a number of national business associations. Those associations will probably be interested in strengthening their local and regional chapters (EGAT/UP & The Urban Institute, 2016).

6. The LED team is connected to national business leaders who can support the LED process. That type of connection is also important for future investments in that locality (EGAT/UP & The Urban Institute, 2016).
7. One or more donor organizations are aligned with the objectives of the LED process. Those donors can greatly contribute to successful implementation of LED proposed interventions (EGAT/UP & The Urban Institute, 2016).

## **2.8. Pro-Poor LED vs. Local Development**

There is an inherent problem when it comes to conceptualizing LED, most often in developing countries, which is the confusion between community development and economic development. LED is about creating a favorable business environment and responding to market failures in a way that drives economic growth, supports local businesses and attracts investments, and eventually creates jobs and improves income level. On the other hand, community development is about supporting the most disadvantaged segments of the community, affordable housing, education support, etc. (Meyer-Stamer, 2003).

Local economic development is part of a broader local development perspective. That broader perspective, in addition to the economic development task, also includes community development activities which are considered part of the social policy of that location. Though both activities/tasks contribute to a general community/local development process, they differ in their target groups and incentives. While community development is mainly about empowering and supporting disadvantaged groups, LED is mainly about local business environment, economic growth, and local competitiveness (Meyer-Stamer, 2003).

One way to better conceptualize LED is to differentiate between three main core components/activities of a border local development initiative: economic development, social development, and infrastructure development. However, the distinction between economically-driven and socially-driven local economic development is not that easy or



straightforward. Some social development activities might have an indirect economic impact, and also economic development activities mostly contribute to improving the social welfare of the community (Meyer-Stamer, 2003).

At the intersection of both approaches; socially-driven and economically-driven community development, comes a very crucial approach that takes into consideration the most vulnerable and disadvantaged segments of the community. This approach is pro-poor local economic development.

The approach, which is to a far extent championed by South Africa, is distinctive in the international literature on LED. That approach comes as an outcome of the application of different measures and programs that are related to pro-poor tourism in both rural and urban localities in South Africa (Rogerson, 2006).

According to Vidler (1999), the leading four edges of LED interventions in urban settings are considered to be the promotion of local competitiveness, property-led local improvement, MSMEs support for job creation, and supporting community development initiatives. These four together represent the neoliberal policy concerning LED promotion in urban areas (Rogerson, 2003). However, when it comes to the developing world, it is evident through examining a growing number of cases that LED planning is more biased towards including pro-poor interventions than the case in the developed world (Rogerson, 2003).

The debate surrounding that approach is centered around the question of how localities in the developing world like South African municipalities can achieve economic growth and enhanced local competitiveness through improving the local business environment while investing in pro-poor interventions which are mostly related to basic services provision like shelter, sanitation, and roads (African Institute for Community-Driven Development, 2005). The dilemma here is that the focusing on pro-poor policies might divert attention from effectively pursuing economic growth, yet pursuing growth without considering pro-poor policies may lead to bypassing the poor (Page, 2006).

Page (2006), suggests that the donor community/organizations should ensure the centrality of the growth goal to the economic development process, in terms of money and policies. Shared growth strategy should take into consideration the distributional consequences of pro-growth policies, to ensure effective wealth-sharing mechanisms that are aimed at the segments that have not yet benefited from the economic expansion (Page, 2006). The link in such shared growth strategy between poverty alleviation and economic growth is direct in the form of drawing the poor out of poverty through increasing households' incomes, and indirect in the form of the improvement in the size and the quality of public investments that comes as a result of the increased fiscal revenues - related to economic growth- which can bring those disadvantaged groups into the economic mainstream (Page, 2006).

## **2.9. The Planning Dilemma**

The predominant approach to LED promotion that is suggested by most donor organizations is planning-driven. Though different models of LED promotion vary in many details, yet they share the very same core of the LED process; LED must be based on very careful and detailed planning (Cunningham & Meyer-Stamer, 2006).

LED practices always begin with strategy formulation which is a critical component of the LED process. That strategy is most often a component of a broader strategic local development plan, with a focus on enhancing local economy (Cunningham & Meyer-Stamer, 2006). Typically, an LED strategy is five-year to ten-year strategy with short, medium, and long-term objectives and deliverables (World Bank, 2003).

The issue here is that such time-consuming process costs a lot of money. The money goes into training activities for local officials, contracting consultants and external experts, conducting intensive fieldwork and research, and organizing many stakeholders' meetings and gatherings. Not all local governments have the resources or the support of the donor community to go through such lengthy and exhaustive process of strategizing and planning. Going through such exercise with limited resources could be problematic

especially in the case of the local governments that have no tax authority. The result might end up to a pile of documents and detailed plans with no enough financial resources to support the implementation, especially that most of the proposed activities from a grand strategic perspective would offer no quick-fixes and would require a high level of financial resources.

Cunningham & Meyer-Stamer (2006) suggests a different perspective to tackle that issue. It starts with conceptualizing the term ‘strategy’ in the context of promoting local economic development through strategic thinking. According to Mintzberg (1987), there are five main concepts of strategy:

- *Strategy as plan: consciously intended course of action;*
- *Strategy as ploy: maneuver intended to outwit an opponent or competitor;*
- *Strategy as pattern: strategy as consistency of behavior, whether or not intended;*
- *Strategy as position: strategy is a means of locating an organization in a competitive market or environment;*
- *Strategy as perspective: strategy as an ingrained way of perceiving the world (Mintzberg, 1987).*

Cunningham & Meyer-Stamer (2006), argue that the third concept of strategy is the most appropriate at the early stages of LED. Industrial development can be realized at four analytical levels: the micro-level of firms and markets, the meso-level of business and investment policies and business support organizations, the macro-level of economic frameworks and conditions, and the meta-level of the basic economic model, social status of entrepreneurship, and the society’s collective memory and capacity to learn and adjust (Cunningham & Meyer-Stamer, 2006).

Most orthodox approaches to LED focus on the micro- and meso-levels, through targeting specific sectors and local business actors. Instead, Cunningham & Meyer-Stamer (2006), suggest that a business-oriented and an opportunity-driven LED should rather focus on the macro- and meta-levels like encouraging entrepreneurship, removing regulatory obstacles, and streamlining licensing processes. Over time LED should move from incremental improvement to more complex catalytic projects that address critical market

failures and the root causes -rather than symptoms- of the obstacles to economic development (Cunningham & Meyer-Stamer, 2006).

The rationale behind catalytic projects that unlocks resources and promote existing business opportunities and economic potentials is to pave the way for individual entrepreneurship. They are projects that would not be addressed through the private sector for the risk is too high, or the expected profit is too low. The result is local economic upgrading that is based on individual efforts rather than on a detailed blueprint, yet these efforts are aligned though they are not actively coordinated (Cunningham & Meyer-Stamer, 2006).

## **2.10. Countries' experiences**

### **2.10.1. Lessons from Cape Town, South Africa**

In response to the decline of Cape Town downtown area in the 1990s, The Cape Town Partnership was established in July 1999 as a local economic development agency (LEDA) with partners from the city residents, the government, the business, NGOs, and others. Based on the research they conducted on partnership models, they settled on a model that was both action-oriented (like the provision of fiscal management, etc.) and strategic (focus on long-term planning), with specific roles for each partner. The partnership published their lessons learned in a resource guide: *Lessons from the First Ten Years*, as a guide to establishing a successful LED agency (UN-Habitat, 2013).

In 2000, the partnership launched CCID; the Central City Improvement District, as a specialized urban management vehicle. Together, the partnership and CCID have achieved so much over ten years; 1999-2009. Their achievements included 90% reduction in serious crime, innovative job creation schemes, attraction of investments of \$1-1.3 billion, the upgrading of over 170 old buildings with many of them of heritage significance, improved pedestrian environments and restored public spaces, the Central City Development Strategy, and many more (Boraine, 2009).

The progress of the Partnership has been gradual, incremental, adaptive, and evolutionary in its scale and activities. The history of the partnership can be divided into four main stages:

**Establishment (1996-1999):** Discussions took place with different stakeholders who shared a common purpose. They decided to initiate a formal and a structured partnership for effective and sustainable communication and optimization of efforts (Boraine, 2009).

**Implementation (1999-2002):** The focus was to make the Central City a safe and a clean area, with the purpose of restoring public confidence and businesses. The emphasis was placed mainly on marketing and communications (Boraine, 2009).

**Urban Regeneration (2003-2005):** During that period, they started focusing on attracting investments to reuse under-utilized commercial buildings. The East City Regeneration Conference was organized to encourage investing in the under-developed part of the Central City. There was a growing emphasis on upgrading public spaces to facilitate public activities (Boraine, 2009).

**Broadening the Partnership (2005-2007):** The Partnership's approach was broadened to cover inclusive development. As a result, the CCID's social development and job creation program was enhanced. New programs, like the Creative Cape Town and the CBD Energy Efficiency Initiative, were launched (Boraine, 2009).

**Building the Long-Term Agenda (2007-2009):** Since the Partnership scope of work is mainly focused on improving and developing the Central City, the partnership drew up the Central City Development Strategy (CCDS) as a long-term strategy and an agenda for coordinated action. In the meanwhile, huge public investments started to take place, primarily on the infrastructure in preparation for the 2010 FIFA World Cup (Boraine, 2009).

### **Main Lessons from the Partnership**

- The need to build and sustain trust among different partners is very critical to the success of the partnership, and it must be acknowledged that partners naturally take risks when relying on each others (Boraine, 2009).

- Trust must also be ensured and renewed in both the public sector which is usually viewed as inherently inefficient and ineffective, with the accompanying belief that the private sector would probably do a better job. In the meanwhile, the private sector is sometimes viewed as aiming to take over the city for the pursuit of profit, with no regard for the public interest (Boraine, 2009).
- Partnerships need not be taken for granted. Trust is usually built over a period of time, and it needs to be regularly renewed through openness, understanding, and, knowledge-sharing, and to acknowledge the diversity of work styles and cultures of different partners (Boraine, 2009).
- There must be a clear division of labor and roles and responsibilities for each partner. The Partnership has used metaphors in order to define different roles (Boraine, 2009):
  - Rowing: direct delivery and execution.*
  - Steering: coordination, facilitation, and inspiration.*
  - Cheering: encouragement and empowerment.*
  - Coaching: information and knowledge sharing.*
- It is important to develop and connect to informal networks and not rely solely on formal structures to create different entry points into the community (Boraine, 2009).
- Constant communication is vital, to let everyone know what is being done, and for the Partnership to become a trusted source of data on city issues (Boraine, 2009).

### **2.10.2. Pennsylvania, USA**

The Commonwealth of Pennsylvania started in 2003 a reform initiative of its workforce and economic development framework into a network of industry-linked partnerships that aim to train workers in a way that meets the requirements of specific industries. The initiative was under the leadership of a new Governor. The goal of the newly-established partnership system was to enhance labor competitiveness while preparing the workforce for higher-wage careers and effectively developing their quality of life (OECD, 2008).

That system was established upon the already-existing relationships and partnerships within the state and local workforce investment boards that were established in 1998. The initiative was not a set of programs as it was an established structure where new and existing programs can fit into with performance accountability mechanism that holds them together to construct an integrated structure/system (OECD, 2008).

The reform has a firm basis to stand on in the form of a state-level leadership, and according to many studies, it has followed best practices in workforce development, educational activities, and economic development (OECD, 2008).

**Examples of the reform goals includes (OECD, 2008):**

- The creation of industry-led capacity-building strategies.
- Providing workers with the opportunity to access training and post-secondary education.
- Investing in innovative high schools and linking technical education to higher-skill jobs.
- Implementing performance-based accountability system to ensure the efficiency of investing in the workforce.
- Better training of incumbent workers.
- Higher investment in secondary schools and technical education.
- Better articulated educational development of students.

**The impact of the initiative:**

- High and consistent growth in Pennsylvania's total job count that resulted in more jobs than ever before in Pennsylvania's history (OECD, 2008).
- The Commonwealth has received national recognition for its innovative and comprehensive workforce development initiatives (OECD, 2008).
- Pennsylvania was ranked number one for foresight and domestic investment by the IBM consulting group. The year before it was not even among the top ten. Also it was ranked number two in creating new jobs by both foreign and domestic investments (OECD, 2008).

The Pennsylvania Workforce Development website states that: “Governor Rendell’s industry-driven workforce development strategy is having noticeable effects. We served 34 940 business last year—13 percent market penetration, up from around 1 percent during 2003. The Pennsylvania CareerLink system increased by 375 businesses—from 15,748 in 2005 to 16,123 by Sept. 30, 2006.” (OECD, 2008).

**There are some important recommendations that came from that experience:**

- Economic development, workforce development, and education, should all be aligned in a way that meets the needs of the private sector so it can offer opportunities for the labor force to develop their skills (OECD, 2008).
- State-level and local level leaderships are very critical for forging such an integrated system that is cross-cutting among different and separate state entities, private entities, and local/regional organizations (OECD, 2008).
- A culture of trust and collaboration that shall be developed over time is essential to the success of the process (OECD, 2008).
- It is strongly advised to designate a top-level official to be responsible for coordinating among different key agencies (OECD, 2008).

What makes the Pennsylvania experience that interesting and worthy of study is not the uniqueness of the development programs implemented or the incentives that have been offered; rather it is the way in which different programs have been brought together by vertical and horizontal coordination, local and regional partnerships, effective leadership, and evidence-based decision-making (OECD, 2008).

### **2.10.3. Basque Country, Spain**

The Basque Country region is privileged in terms of its location; strong sea transport and communication infrastructure which enabled the region to be characterized by having an open attitude and considered as one of the most vital industrial areas in Spain due to its exporting business (OECD, 2008).



Over three decades, the region has witnessed huge economic growth, mostly due to a long-term strategy that has led to the transformation from an industry-based economy to a knowledge-based economy. The priorities of that strategy included: technology and innovation, quality and internationalization, and cooperation (OECD, 2008).

The strategy guided the region towards reaching the European GDP/capita average, and an unemployment rate that is below the European average. Another contributing factor to that level of development that took place in the region was its highly qualified employees and labor market dynamics (share of higher education and university degree holders was 40% of its active population in 2006) (OECD, 2008).

As an evidence of the systematic development efforts that took place, the research and development (R&D) expenditure has reached the European average starting from initially almost non-existing investment level (OECD, 2008).

The secret behind such huge success could be attributed to 1979 when Basque Country region had been granted an autonomous status. That led the Basque Government to prepare long-term regional strategy and development plans based on the existing capacities and capabilities (OECD, 2008).

The strategy had evolved over 28 years of implementation, starting in the the 1980s when industrial sectors were taking a downturn, while unemployment was rising. The policy back then focused on revitalizing the industrial sector through research and development support services, and it was the start of the cooperation axis of academia-technological centers-private sectors. The region also took advantage of the Spanish membership in the European Union to start exporting on a larger scale. In the 1990s, while the economy was showing signs of slowdown, the region shifted its strategic focus on cluster policies. Also the policy shifted from being government- and supply-led towards becoming more responsive to the industry needs. The policy moved to what is called regional innovation system, with knowledge, scientific research, and innovation at the core, with interaction among different actors and policies. The policy stands on the pillars of cultural change,

industry base, emerging new sectors, science policy, and global entrepreneurship (OECD, 2008).

#### **2.10.4. Pulau Weh, Indonesia**

Pulau Weh is a tropical island in Indonesia with around 25,000 inhabitants. Though small in size, it possesses huge economic potentials. Its favorable and inviting business environment is full of incentives that led to an increasingly growing real estate market and infrastructure projects. That positive trend came as a result of the enhanced linkage between the private sector and the public sector which has been introduced since the inception of a local economic development program that focused on tourism (ILO, 2008).

In 2005, an LED program was launched in response to the livelihood crisis that affected the survivors of the tsunami that hit the region in 2004. The LED program considered the natural beauty and the underwater rich world of the island making it a unique diving destination, which led the LED strategy to focus on tourism development (ILO, 2008).

The process started in 2006 with a participatory brainstorming workshop which led to the first public-private partnership to be established, and a list of priority interventions was created. The process, however, faced a major challenge represented in the poor infrastructure which led to a debate on whether to stop the process or try to realize any of the proposed interventions. The second option was selected, and they created a list of reasons why to operate a flight to the island and it was presented to Air Asia in 2007, and after 8 months of negotiations the first international flight from Kuala Lumpur to Banda Aceh was launched as the first of its kind to land there in more than 12 years (ILO, 2008).

That success gave momentum and credibility to the LED initiative and led to the preparation of a three-year strategic plan for the region. Following that, an opportunity presented itself in the form of a travel fair in which the island had participated and they were able to promote the island and its attractions. As a result, many investors visited the island, and one of them leased the largest hotel their aiming to modernize it (ILO, 2008).

The LED program afterward met some financial challenges and having heard of their situation; UNDP offered financial support. Pulau Weh-Sabang Tourism Association (PWSTA) was created in 2008 to provide technical support to the Ministry of Tourism (ILO, 2008).

This experience provides a very important lesson: success drives more success, and achievements drive credibility and legitimacy. The success of the LED program in its early activities enabled it to gain the trust of the investor, government, donors, and the local community (ILO, 2008).

### **2.10.5. LED in Sub-Saharan Africa**

According to a report published by the World Bank (2005), to assess the status of local economic development as an alternative approach to economic development in Sub-Saharan Africa, it has been often debated that Sub-Saharan Africa (SSA) is a different region from the rest of the world to the extent that makes it require exceptional solutions to its development challenges (Rodríguez-Pose & Tijmstra, 2005).

The report aimed to examine whether a standard development tool that is being increasingly adopted throughout both the developed and the developing world, such as Local Economic Development (LED), can act as an alternative or a complementary approach to economic development in SSA (Rodríguez-Pose & Tijmstra, 2005).

The report indicated that most of the characteristics of LED strategies, like the territorial aspect, the participatory approach, the strategizing process, the focus on sustainable development, and the combination of economic and social goals, resemble a significant potential to address many challenges facing SSA's urban regions and city-centers. However, the ability of the sub-national institutions to develop and/or implement similar development strategies due to many constraints such as low population density, predominant informal economy and networks, poor spatial connectivity, and weak public institutions and local governance (Rodríguez-Pose & Tijmstra, 2005).

The report concluded that the likelihood of the success of LED strategies would greatly depend on place-specific preconditions, making the approach less likely to be relevant to the poorest and most remote regions of Sub-Saharan Africa. Thus, the evaluation of the local potential prior to starting an LED process should be highly considered (Rodríguez-Pose & Tijmstra, 2005).

Binns & Nel (1999), however, proposed a different perspective. They acknowledged what they called “non-Western forms of LED” that rely on very modest and basic community-based interventions and initiatives that stem mainly from the indigenous technical knowledge due to limited resources and technology, and they suggested that such approach should be understood as a “survivalist strategy” and “self-reliance” rather than focusing on issues like business support and investment as it is the case of promoting LED in most countries (Binns & Nel, 1999).

However, Stock (1995), argues that such approach is unlikely to achieve any real development except for some small victories for the disadvantaged majority and that the inherent reality is that it is nearly impossible for a community to distance itself from the global capitalist economy (Stock, 1995).

### **Examples of LED interventions in developing economies:**

#### **2.10.6. Bogota, Colombia**

Starting from 1998, the city has adopted a comprehensive transportation planning program in response to rising pollution, safety, and productivity concerns as results of the congested roads. The approach focused on public education and marketing of non-motorized options for travel, establishing Bus Rapid Transit (BRT) and physical infrastructure for bikes, and limiting the use of automobiles. As a result, 329 kilometers of bikes lanes accommodate 180,000 daily bikers, and the travel times on the routes that

are served by the BRT system has fallen by 32%, which in turn reduced the travel time for other vehicles as well, with total of 1.5 million daily passengers use the city's BRT system (UN-Habitat, 2013).

### **2.10.7. Volta Redonda, Brazil**

A new biodiesel power plant was established in 2007, and the city saw it as an opportunity to tackle a challenging environmental problem, create jobs, educate the public, and generate revenues for the city and local schools. That was done through the city's efforts to found an organization; Eco-oil, which collects used cooking oil and sell it to the power plant, and helps raise awareness about the environmental problems that may rise from the improper disposal of used cooking oil. Neighborhood schools serve as drop-off and collections spots, and one-third of the generated revenues goes back to the participating schools, while the rest goes to funding Eco-oil's activities. By 2009, Eco-oil managed to collect and sell 22,000 liters of oil per month and hoping to reach 80,000 in the future (UN-Habitat, 2013).

### **2.10.8. Tegucigalpa, Northern Mexico**

With the support the International Finance Corporation (IFC), the city of Tegucigalpa started a reforming initiative of its business licensing procedures. Prior to the license streamlining, it could take around nine months and 180 procedures for someone to register his/her business. The newly introduced standardization procedures managed to significantly reduce the number of steps required to license a business. For example, businesses with minimum environmental and health risks are fast-tracked through a digital system. Business owners can now register a business and complete the whole process in one day only. That resulted in 12,000 new businesses registered in the last three years, a 75% increase, and consequently, the tax revenues have increased 8-9% since the reform (UN-Habitat, 2013).

### **2.10.9. Jamaica Business Development Corporation (JBDC), Jamaica**

Established in 2001, the corporation which operates as a cooperative arrangement among a number of government agencies and the private sector, has guided businesses in financing, marketing, and growing their scale of operations through their offices in 11 towns, and cities. Till 2011, the JBDC supported 10,300 individuals/entities with business assistance (UN-Habitat, 2013).

## **Chapter 3: Promoting LED in Egypt**

### **3.1. Egypt Economic Policies**

Choosing the best strategy for achieving economic development in developing countries has always been a largely debated topic. In the the 1950s and 1960s, the protection of infant industries and import substitution were fashionable, the contrasting policies of market-oriented and liberal economies were much popular in the 1980s (Williamson, 1990), which were modelled after the “Washington Consensus” that has been during the past two decades the default recipe for realizing economic growth in developing countries (Benner, 2013).

At the core of that debate is the level of government intervention in the market. In a liberal economy, the free market is the rule while the government intervention is the exception, only in a case of a market failure. How frequent and to which extent the government can intervene will always be subject to continuous debate (Benner, 2013).

The Egyptian economy followed the same course of evolution. Since the Sadat era (the 1970s) and especially during Mubarak’s presidency, the policies of openness, privatization, free zones, and market liberation succeeded the nationalization, protectionism, and central planning policies that were dominating Nasser’s era in the 1960s (Benner, 2013).

Prior to the Egyptian revolution in 2011, Egypt’s economic policy focused on the availability of venture capital and credit, MSMEs support, quality infrastructure, free zones, promoting technology transfer, and one-stop shops. The government also placed high significance on tourism as one of the main sources of national revenues (Benner, 2013).

Following 2011 revolution, the Egyptian economy faced many challenges: a significant decline in tourism revenues, capital flight, a sharp decline in foreign exchange reserves, increased trade deficit, soaring inflation, and rising unemployment rates (Joya, 2016).

The policies in Egypt has been largely influenced by neoliberalism, which represented a mix of pro-market strategies and monetarist orthodoxy (Joya, 2016): laissez-faire, deregulation, competitiveness, liberalization, privatization, the stability of prices, austerity, and balanced budget (Overbeek & Van Apeldoorn, 2012).

The experience of neoliberal reforms in Egypt which paved the way for market supremacy led to a ‘crony capitalism’ in the sense that politically-connected businessmen benefited from the deregulation and the liberation of economy and the privatization of public assets. Meanwhile, workers suffered from unemployment and the stagnation in wages. That led to a higher level of social polarization and inequality, which was manifested in the creation of gated compounds and golf courses for the rich vs. crumbling infrastructure and deteriorating public housing for the majority of Egyptians (Joya, 2016).

Under Abdel Fatah el-Sisi’s presidency (May 2014-present), a new package of economic reforms started to be implemented. In his speech to Euromoney’s Egypt conference, el-Sisi explained his reform plans:

*“For too long, excessive and ineffective government spending, wasteful energy subsidies, endemic corruption, and economic mismanagement had undermined the promise of our country, strangling our economy and our people’s dreams. Although a preceding period of prudent macroeconomic policies and structural reforms pursued during 2004 to 2008 quickly generated 7% growth per annum, we did not have enough time then to institutionalize the reforms nor to enable the average Egyptian citizen to benefit from the fruits of this take-off in growth.” (el-Sisi, September 16, 2014).*



In March 2015, a modified investment law was adopted which protected investors from nationalization, presented a unified mechanism for settling disputes, offered tax breaks for each job opportunity created, and provided guarantees for exit and entry in dollars (Ayyad, 2014).

Egypt's economic vision was presented in the context of Egypt's major economic conference: Economic Summit; Egypt the Future, March 2015 (Joya, 2016). The government also launched the Suez Canal Area Development Project with the aim of expanding the scope of public-private partnership to develop the Suez Canal region (Joya, 2016).

The government also introduced new taxes in response to the declining level of public revenues. The General Sales Tax (GST) was replaced by the Value-Added Tax (VAT) making it accounts for 37.73% of the tax revenues. That put further pressure on low-income earners rather than the corporate sector or the high-income earners. The financial sector kept being protected from taxes since capital gain have not been taxed. Corporations continued to be privileged with custom exemptions and tax holidays (Egyptian Centre for Economic and Social Rights, 2013). All that led to intensifying the levels of inequality in Egypt (Ayyad, 2014).

The increase in the price of fuel and consumer goods, along with the cuts in public expenditure and subsidies since the 2011 revolution, led to intensifying inequality further (Joya, 2016). The government has also decreased its investment in health care from 5.4% of GDP in 2000 to 4.8% in 2012, while the investment in education dropped from 16.2% of total government expenditure in 2005 to 11% in 2012 (Egyptian Centre for Economic and Social Rights, 2013). That led to a higher burden on the household income since higher portions of that already-limited income went to health care and education costs (Egyptian Centre for Economic and Social Rights, 2013).

It seems to be that there is a huge contradiction between what the government promises its constituents regarding social protection, and the demands of International Financial Institutions (IFIs) (Joya, 2016).

### **3.2. Egypt's Investment and Business Environment**

The OECD (2014), published a report that reviewed the business climate of Egypt, its investment policies, and public-private partnerships. Among the key findings of that report was that though Egypt's domestic laws, as well as its international commitments, provide a great level of protection for foreign investors, the 'de facto' practices might not be aligned with the 'de sure' provisions. This is obvious when it comes to intellectual property (IP) rights, amicable settlement, offering protection against expropriation, etc. This proposes that it is not a matter of modified laws or regulations but rather an issue of diligent enforcement of the existing provisions (OECD, 2014).

Another important issue that was highlighted by the report was the level of transparency and openness. Investors also were concerned regarding the ad hoc decisions that are sometimes made by the government (OECD, 2014). The most significant finding in the report was the need for the Egyptian government to enhance its communication abilities which are vital both externally with the business community and the public, and internally between deferent levels of government and its affiliated agencies and various departments (OECD, 2014).

Small and medium-sized enterprises (SMEs) also greatly contribute to the economic landscape in Egypt. SMEs contribute around 65-75% to employment and 80% to GDP according to some estimates. However, starting a new business and scaling it up is a challenging task, especially in the current environment (Oxford Business Group, 2016).

The legal framework in Egypt represents a real barrier to market entry due to its patchy contract enforcement practices, which discourages many informal enterprises from entering the formal market (Oxford Business Group, 2016). According to the World Bank's report; Doing Business (2016), Egypt is ranked 155th out of 188 countries when it comes to resolving a dispute which might take more than 1000 days (World Bank Group, 2016).

Also, banks in Egypt are still not completely enthusiastic when it comes to availing credit for SMEs and startups, preferring the corporate sector instead. On the other hand, other financing mechanisms such as business incubators, venture capital, crowdfunding, and private equity keep rising and scaling their impact on the startup and SMEs landscape in Egypt (Oxford Business Group, 2016).

Egypt, according to Doing Business (2016), is ranked as one of the best-performing economies in the MENA region when it comes to registering a company which takes now an average of 8 days in comparison with 40 days ten years ago (World Bank Group, 2016). This comes from a combination of the government endeavors and the private sector interest in the constantly growing entrepreneurship ecosystem (Oxford Business Group, 2016).

What can be considered as the most exciting development in the past few years is the private sector injection of its know-how and capital into the entrepreneurship scene. There has been a growing number of business incubators, technology transfer offices, angel investors, and venture capital firms over the recent years which is a testament to Egypt's huge entrepreneurial potential (Oxford Business Group, 2016).

### **3.3. Sustainable Development Strategy: Egypt's Vision 2030**

In 2015, Egypt's Sustainable Development Strategy: Egypt's Vision 2030, was announced in alignment with the global 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs), which spans over the pillars of sustainable development: economic, social, and environmental (MPMAR, 2015). The aim of the economic development pillar of the strategy according to the published document is: "By 2030, the Egyptian economy is a balanced, knowledge-based, competitive, diversified, market economy, characterized by a stable macroeconomic environment, capable of achieving sustainable inclusive growth. An active global player responding to international developments, maximizing value added, generating decent and productive

jobs, and a real GDP per capita reaching high-middle income countries level.” (MPMAR, 2015).

The strategy which took two years in making is to a fair extent influenced by 2030 Sustainable Development Goals (Esterman, 2016). The economic development pillar is divided into three dimensions: economic development, energy, and transparency and efficiency of government institutions (MPMAR, 2015). The main economic measure/goal of the strategy is to reach 10% annual GDP growth by 2020 and 12% by 2030. Also, the strategy aims to increase GDP/capita from US\$3,436 at present to \$4000 by 2020 and \$10,000 by 2030 and to completely eradicate extreme poverty by 2030 (MPMAR, 2015).

The strategy/vision sets many ambitious goals and KPIs. However, they are to a large extent based on vague premises, like improving the investment environment through legislative reforms, promoting tourism, and the reliance on mega/national projects like the reclamation of 4 million feddans of desert land, launching Suez Canal development project, and establishing a new capital (Esterman, 2016). The strategy does not provide a lot of details on what type of reforms and promotion efforts will take place or concrete evidence on the expected return on investment in those mega projects. The strategy -in its 300+ pages- proposes different numerical indicators, without linking them to detailed and specific strategies, feasibility studies, or means of implementation (Egyptian Center for Economic & Social Rights, 2016). However, setting the strategic direction of the government and coupling it with a detailed list of KPIs is a positive step towards a unified understanding of the national development goals and represents an overarching guide for the development efforts of different actors, and especially the ones acting on the local level.

### **3.4. Local Economic Development in Egypt**

There is a huge gap in literature when it comes to examining the status of local economic development in Egypt. Most of the available literature is more relevant to studying or assessing individual local/community development or local economic development

initiatives and projects. Most of these projects are done by different donor organizations in collaboration with the the Egyptian nonprofit sector.

This gap in literature resembles a parallel gap in practice. Though we can find tens -or even hundreds- of projects that qualify as LED activities, there are almost no documented experiences of promoting LED in the sense of a comprehensive and in-depth strategic plan that assesses the economic challenges and potentials of a certain locality and ends up with a set of specific proposed interventions that can be translated into different types of activities and projects.

What seems to be the most comprehensive application of an LED strategic planning exercise is the one that was implemented in four Egyptian governorates as a collaboration between the Ministry of Local Development (MoLD) and United Nations Development Program (UNDP). That experience -which is the focus of this study- will be further elaborated in the next chapter.

### **3.5. Examples of LED initiatives in Egypt**

#### **3.5.1. The Sohag Rural Development Project**

At the time of the project, Sohag governorate was -and still continues to be- one of the poorest and least developed governorates in Egypt. Its population at the time of the project was two million, with 209,000 farming, and 150,000 landless households (77% of its population live in rural areas) only on 320,000 feddans of fertile land. 70% of its adult population was illiterate (84% of them were women). The governorate suffered from poor water drainage, and 30% of its villages had no potable water supply or any health facilities, and 90% had no sanitation (World Bank, 2008).

The Sohag Rural Development Project which was concluded in 2008, was funded by the World Bank, implemented by the governorate of Sohag in partnership with the

International Fund for Agricultural Development (IFAD) (World Bank, 2016c). The project objectives were:

- a) Promote the sustainable development of Sohag rural villages through the participatory approach initiated by the National Program for Integrated Rural Development (SHROUK) (World Bank, 2016c).
- b) Improve equitable access to credit for the rural poor, unemployed youth, and women (World Bank, 2016c).
- c) Improve income and quality of life in rural communities (World Bank, 2016c).

The project was implemented through three main components. The first one focused on strengthening local institutions through supporting the local administration and line ministries at the governorate, district, and village levels to assist local communities in identifying, planning, operating, and maintaining rural infrastructure. That was done through technical assistance and training (World Bank, 2016c).

The second component focused the village infrastructure itself, through supporting the village in identifying and preparing its priority development plans and co-financing them through the SHROUK participatory process by providing grant financing to the community-based infrastructure (World Bank, 2016c).

The third component is the rural finance component which promoted open access to credit for women and the poor in the governorate and increased economic activities like on-farm technology and rural-based investment (World Bank, 2016c).

The achievements of the project included completing 438 infrastructure sub-projects benefitting 650 villages which represent 2 million people. The micro-credit sub-component provided 7,500 loans with an average of US\$700 per loan. 98% of the loans were granted for agriculture-related activities. 46% of the loans were received by women, and 75% were received by youth under 25 (ICR, 2009).

### **3.5.2. Human Security Through Inclusive Socioeconomic Development in Upper Egypt: (Hayat) Project**

The project which was led by United Nations Industrial Development Organization (UNIDO) and in partnership with UN Women, UN-Habitat, International Labour Organization (ILO), and International Organization for Migration (IOM), aimed at strengthening the economic security of vulnerable communities in two districts in Menya governorate: El-Edwa and Maghagha (UNIDO, 2016).

The project had a national implementing partner: Ministry of Local Development (MoLD), and was funded by United Nations Trust Fund for Human Security, Swiss Agency for Development and Cooperation, and the Government of Japan (UNIDO, 2016).

The human security approach adopted by the project focused on protecting the well-being from threats (like unemployment, poverty, disease, environmental degradation, precarious livelihoods, and economic downturns) and community empowerment through allowing the community to become self-reliant while addressing different vulnerabilities and building their future (UNIDO, 2016).

The plan of the project was to: (a) strengthen human security through the creation of more and better employment opportunities and increased employability of the local labor force; and (b) enhance community and personal security through activities to develop communities' social capital and enhance cohesion and inclusiveness (UNIDO, 2016).

The project followed a participatory approach where all stakeholders have been engaged in assessment and implementation at various levels. The project established Human Security forums in a participatory manner where each forum hosted 25 members and they were implemented in each of the five mother villages. The forums reflected different socioeconomic aspects of local development: inclusiveness (it included youth, women, and different vulnerable groups), economic key players (like farmers and producers), and

environmental protection. It also witnessed a strong presence of community leaders and local government (UNIDO, 2016).

The achievements of the project included: establishing an information counseling and referral system (based on the labor market assessment) that is supported by an open-access online database, building the capacity of local government staff to avail job-matching services that are aligned with the needs of the private sector through many information sessions and employment fairs that were attended by 580 participants and resulted in employing 170 people, establishing linkages to different existing employment projects such as ILO's Career Guidance Project and German Development Cooperation (GIZ) Employment Promotion Programme, and assisting over 1800 local farmers with regard to their production practices and building the capacity of local youth to act as 'knowledge agents' in order to extend and scale the project outreach (UNIDO, 2016).

### **3.5.3. SEKEM: A holistic approach to sustainable local development**

In 1977, Dr. Ibrahim Abouleish who had been living in Austria for 21 years, decided to return back to his home country and to establish Sekem initiative with a strong belief in the need for adopting a holistic approach to sustainable development that takes into account human development, cultural and spiritual development, environmental protection, and sustainable economic development (Hatem, 2007).

Abouleish believed that one of the most effective approaches to poverty reduction is the labor-intensive production of agricultural products. He decided to go work on the development of three aspects of value-added agriculture-based manufacturing: natural medicines (phyto-pharmaceuticals), organic food products, and naturally-grown fabric products (Hatem, 2007).

The initiative began with a farm that was founded on 70 hectares of soil that is located near Belbes, 60Km northeast of Cairo. Currently, Sekem's group includes 9 companies: Libra for farming, Mizan for organic seedlings, Hator for fresh fruits and vegetables,



Lotus for herbs and spices, Isis for organic foods and beverages, Conytex for organic cotton and textile fabrics, Atos for pharmaceutical products (Hatem, 2007).

Sekem's mission was to realize sustainable development while assuming corporate social responsibility and human development. Sekem provides its customers with high-quality products, and provides its employees with quality education, health care, and financially-rewarding employment. Sekem's employees are mostly rural poor people from Belbeis (Hatem, 2007).

Sekem has also established a number of entities that serve different segments of its local -and sometimes regional- community such as Cooperative for Sekem Employees (CSE), Sekem Development Foundation (SDF), and the Egyptian Biodynamic Association (EBDA) (Hatem, 2007).

In 2009, Sekem established Heliopolis University for Sustainable Development which aims to: "pioneer the introduction of the concepts and principles of sustainable development to the students and the Egyptian community to improve well-being by decreasing threats to the Earth's systems through industrialization and consumption" (Heliopolis University, 2016).

From the very beginning, Heliopolis University built a sustainable campus through an increased use of solar power, treating waste water for irrigation, and conscious waste management and recycling (Heliopolis University, 2016).

These different divisions, functioning collectively, represent an innovative and unique business model that is based on sustainable agricultural production, and prioritization of human development and environmental sustainability (Hatem, 2007).

Sekem -with 2,000 employees whom 20% of them are women, and 850 associated small-scale farmers- has managed to organically cultivate 3,500 hectares of land, benefit around 25,000 people through its development foundation (SDF), ensure that its affiliated small farmers receive appropriate training and technical support helping them better grow their

crops, provide hundreds of children with quality education through Sekem's school, train hundreds of youth through its vocational training programs and also preparing them for self-employment, and grow its business to over US\$19 million (Hatem, 2007).

### **3.5.4. Upper Egypt Local Development PforR Project**

This is an example of a project that is still to take place, yet it demonstrates the huge emphasis by international donor organizations on the approach of local economic development (World Bank, 2016b).

The Local Development Program-for-Results (PforR) Project which will be implemented by Ministry of Local Development and is funded by the World Bank (total project cost: US\$ 500 million) aims to improve the business environment for the purpose of private sector development, and to strengthen the capacity of local administration to deliver quality services in select governorates in Upper Egypt (World Bank, 2016b).

The project aims to address a number of challenges that continue to face Upper Egypt, such as the limited empowerment, effectiveness, and accountability of sub-national governorates, poor access and quality of services and infrastructure for both citizens and businesses, and weak investment climate along with underdeveloped local economies and economic value chains. The Government of Egypt considers the importance a differentiated strategy for underdeveloped regions through private-sector-driven local development, and aims to approach this strategy as the most effective and efficient way to reduce poverty in those regions like Upper Egypt (World Bank, 2016b).

### **3.5.5. Egypt Network for Integrated Development (ENID/El Nidaa)**

The Egypt Network for Integrated Development (ENID/El Nidaa) is a five-year initiative that aims to create employment opportunities and promote sustainable skill development in Upper Egypt with focus on the Governorate of Qena. It operates under the umbrella of

the Ministry of International Cooperation as a project of UNDP. In 2016, ENID/El Nidaa became a Foundation while maintaining its status as a UNDP project (ENID, 2016)

ENID aims to create successful and sustainable project models that can be replicated and owned by the local communities. These projects come under three integrated programs that have potential impact on job creation and poverty reduction (ENID, 2016).

ENID's programs are targeted at promoting micro, small and medium-sized enterprises (MSMEs), upgrading basic services in the rural areas of Upper Egypt, entrepreneurship development, and sustainable agricultural development (ENID, 2016).

The methodology of ENID is based on action-oriented research to identify sectors and products with high potential for growth and scalability, and the adoption of business and entrepreneurship models that have proven to be successful elsewhere in the world such as cluster promotion, and the 'one village one product' skill model. ENID's operation is results-based, and it follows a comprehensive system of monitoring and evaluation (M&E) (ENID, 2016).

### **3.6. Local Governance in Egypt**

Local administration refers to all sub-national local units at all levels. The branch of government that is concerned with overseeing the local administration system is the Ministry of Local Development (MoLD). According to law No. 43 of 1979 on Local Administrative Structure, the structure of local administration in Egypt is made up of governorates (27), districts (187), cities (225), neighborhoods (91), local units (1264), and villages (4737) (Maher, 2012).

There are two types of local councils in Egypt: Local Popular Councils (LPCs) which their members are elected at all local levels, and Local Executive Councils (LECs) which their members are appointed (Zaki, 2008).

Since the January 25 revolution in 2011, and after dissolving local councils by a court order under the exceptional circumstances back then, Egypt has been without local councils for the last six years. The new local elections are planned to be held in early 2017 (Khazbak, 2016).

Local councils are subject to jurisdictional control and come under the authority of the People's Assembly. The local councils at the governorate level have control over the ones at the lower local levels (Zaki, 2008).

Central authorities can create and disband local ones. The governor himself is appointed by the President. According to the law, the nominations and appointments of General Secretaries and their deputies, and also heads of urban subdivisions and Mayors are done through the Prime Minister himself, with the Governors' agreement (Zaki, 2008).

Managing state-owned land for the use of construction, even if owned by local administration, must be approved by the central government. Also when it comes to joining investment projects, local authorities must receive the approval of the relevant ministries, investment bodies, and free zones (Zaki, 2008).

The planned projects at the governorate level must be included in the general national plan which is carried out by the Ministry of Planning and other relevant ministries, and after the approval of local popular council (Zaki, 2008).

The local popular council can supervise and monitor how the governorate local development plans are being implemented. These councils also have the responsibility of approving projects and annual budgets, proposing different types of urban planning projects, and proposing imposing charges and local taxes (Zaki, 2008).

The financial service of the governorate states the overall governorate's project budget which comprises of the local authorities' project budgets. Afterward, the project is submitted by the governor to the local popular council -at least four months before the start of the budgetary year- to discuss it and approve it. Once approved, it is sent afterward

to the Ministry of Local Development, and then it is sent to the Ministry of Planning and the Ministry of Finance (Zaki, 2008).

Local authorities in Egypt have almost no financial autonomy. Though local taxes, charges, and loans should constitute the main resources for the local administration, it is the central government that eventually collects the money as national revenues. Also, local authorities have no actual control over their annual budgets. The local budgets are prepared by local executives, then they are submitted to the local councils with no authority to amend them. The projects afterwards are passed to the Ministry of Planning and the Ministry of Finance before they are submitted to the Parliament. In that sense, the central government has the freedom of amending local budgets, which is usually being manifested in the gap between the local needs and plans, and the local budgets decided by the central government (Zaki, 2008).

Local authorities have also no real control on implementing their own budgets since they lack the flexibility required to make changes to their local budgets in a way that is consistent with their economic and social needs, nor can they move from one budget article to the next without the approval of the Ministry of Planning and the Ministry of Finance (Zaki, 2008).

In that sense, Egypt does not have local governments that can set, plan, and control their budgets, raise funds, issue laws, or plan for the future development of their regions, rather it has local administrations that do not govern as much as they administer a central/national agenda (TADAMUN, 2013).

### **3.7. The Struggle for Decentralization in Egypt**

According to a study by the World Bank, Egypt ranked 114 out of 158 countries on decentralization and the closeness of government to the people (Khazbak, 2016).

There has been an ongoing debate regarding decentralization in Egypt then it was stated in the 1971 Constitution that there shall be a gradual transfer of powers from the central administration to the governorates and different local entities (TADAMUN, 2016).

The executives of all local units in Egypt are appointed: the governor, the district head, the neighborhood head, the city head, and the village head. What happens here is a de-concentration of the central government power where authority is transferred to a local level that is connected and subordinate to the central government/power. However, elected local authorities are considered as decentralized power since the responsibility and resources have been transferred to elected local authorities (TADAMUN, 2016).

The Law of Local Administration of 1979, which was issued under President Anwar el-Sadat, aimed to give more powers to Local Popular Councils (LPCs) through giving them the authority to monitor the decisions made by the appointed local executives (executive heads and executive councils) of different administrative units. However, the real practice took a different path since the actual role of local popular councils was much more limited and they played an advisory role rather than a supervisory one as it was initially intended. LPCs decisions required the approval of higher-level LPCs and it could be rejected by the governor as well. The limited local resources reinforced the limited decision-making power. For example, the percentage of public expenditure on local administration in the fiscal year of 2011/2012 fiscal was estimated to be 12% only of the total expenditure compared to an average of 20%-30% that are spent by other transition economy countries (TADAMUN, 2016).

Among the challenges that affected the ability of local councils to represent an effective tool of democratic local governance is the complicated electoral system in which every voter had to select 24 candidates of 100. That system facilitated corruption and fraud and resulted in electing local councils that do not represent their local communities (Muhsin, 2015).

Such weak local councils had no real binding authority over their local administrations. Also, they were dominated by the power and authority of the central government. One

example of that is the dispute that took place between the Ministry of Education and local councils on which of them has the authority of setting the date for the beginning of the school year. It is mandated by the law that local councils have this legal right, yet the central government eventually managed to make the final decision and set the date according to its own preference (Muhsin, 2015).

For the first time with the 2012 constitution, there was a dedicated chapter to local administration which gave higher autonomy to the local administrative units. It protected the decisions of local councils from the interference of the executive authorities. It also prohibited dissolving these councils. However, the new constitution of 2014 reinforced the centralized nature of the Egyptian government, though it maintained the same rights stated by the 2012 constitution regarding LPCs (TADAMUN, 2016).

The new local administration law gives greater authority to appointed governors and not local councils which their decisions can be vetoed if they were deemed to damage public interest (TADAMUN, 2016).

## CHAPTER 4: Conceptual Framework and Methodology

### 4.1. Conceptual Framework

In a perfect market economy, markets can function on their own, satisfy needs, achieve economic growth and prosperity, and eventually improves people's quality of life. This rarely happens, instead, market failures take place. This is when the government should intervene, and LED is one the instruments that the government can use to tackles these market failures that might hinder local economic development.

Similar to the assumptions of the perfect market, when it comes to promoting LED, there are a number of assumptions that affect the outcomes of the LED process. Examples of these assumptions are strong political will and commitment to the process, competent and well-capacitated local LED team, strong and mature local business community, active local actors, availability of financial resources, authority to plan, intervene, and implement projects, etc.

This ideal situation also rarely happens. What happens in reality and especially in developing economies is a number of negative externalities (such as different obstructive policies and regulation, political support, availability of funding resources, etc.) and negative internalities (such as the availability of competent calibers, obstructive administrative procedures, weak linkages to the local business community, etc.) that face local governments/administrations and eventually affect both the process and the outcome of LED initiatives.

The argument that is presented in this study is that there are some models/approaches that have greater interaction than other different models/approaches with those negative externalities and internalities (challenges) which in turn can lead to the unsuccessful implementation of the approach and eventually ineffective promotion of LED.



This study will identify and examine the extent to which the existing negative externalities and internalities in Egypt and Fayoum have affected the process and the outcome of this LED promotion experience.

Also one important success factor of any LED process is its ability to capitalize on the existing positive externalities/opportunities (such as the existence of political commitment to the process, strong national business associations with active regional units, interest from international and donor organizations in that particular region, etc.) and positive internalities/potentials (such as the local administration support of the process, the availability of financial resources, the existence of competent calibers, etc.).

In response to that, the study will address this issue through two potential paths:

- a) Recommend a set of interventions that can fix or eliminate those negative externalities and internalities (challenges) which should enable local administrations to effectively and efficiently promote local economic development.
- b) Propose a context-appropriate approach that assumes and acknowledges the existing challenges and the negative externalities and internalities, and aims to capitalize on the existing positive externalities and internalities (opportunities and potentials) in order to effectively promote LED within the context of the identified challenges and the existing reality.

This conceptual framework is inspired by SOWT analysis which is used to analyze the internal and external environment. In that sense, negative externalities are the external challenges or Threats, negative internalities are the internal Weaknesses, positive externalities are the existing Opportunities, and positive internalities are the internal Strengths.

## Conceptual Map

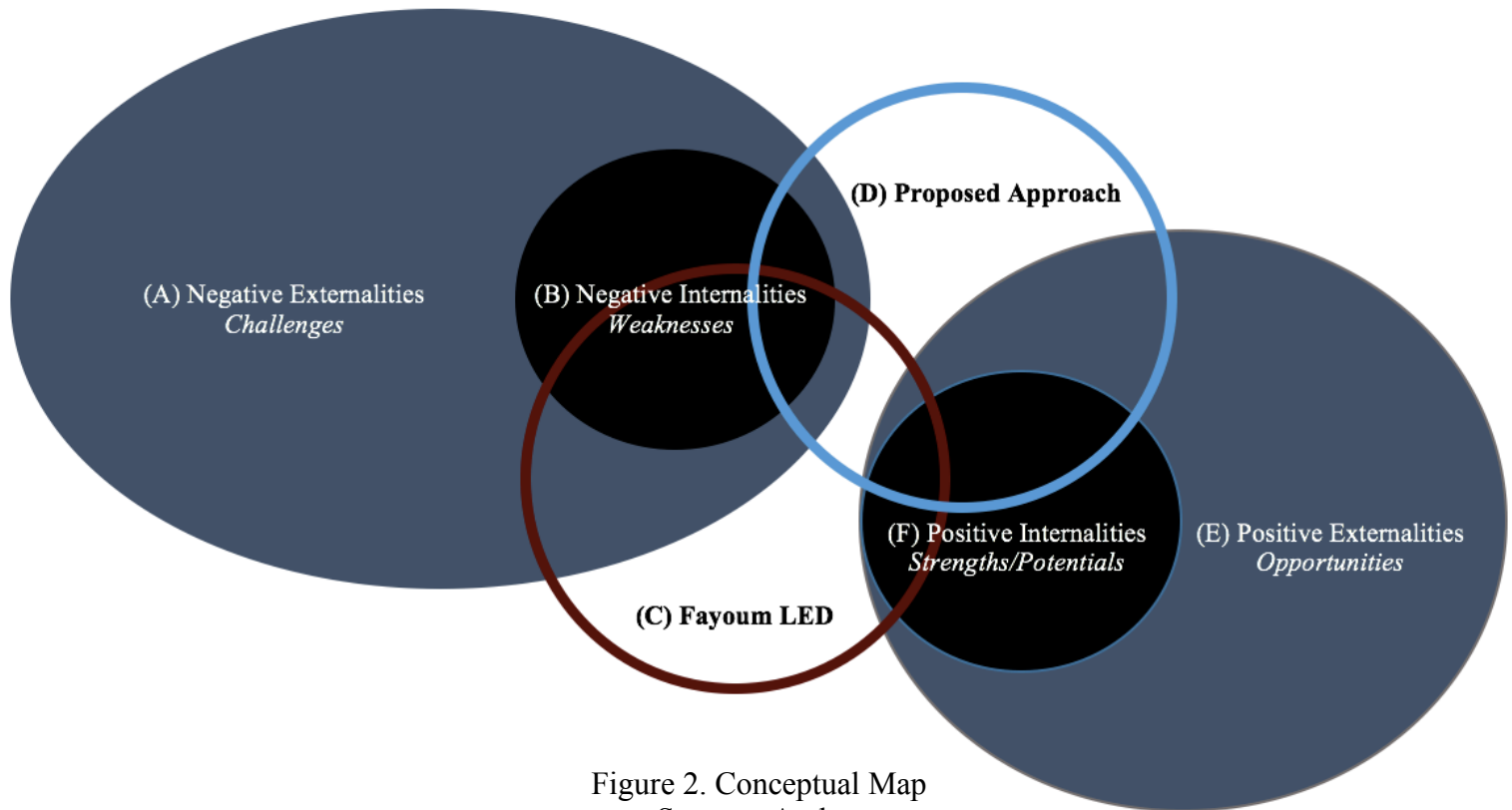


Figure 2. Conceptual Map  
Source : Author

The adopted LED approach/model in Fayoum has a certain level of interaction with the existing negative externalities and internalities which consequently affected the process and its outcome to a certain level.

This study will propose a different approach, which shares some degree of similarity with the approach that has already been used in Fayoum. However, it has a lesser level of interaction with the existing negative externalities and internalities assuming that they remain unchanged/unfixed, and greater interaction with the existing positive externalities and internalities. Consequently, that proposed approach would suggest a higher probability of success and better potential outcome of the LED promotion process.

The proposed approach: Government-Led Active Partnership Approach (GAPA), starts with forming an active partnership of different local actors that is led by the local

administration. The aim of the partnership is to implement a number of realistic and relatively modest interventions and projects by capitalizing on the collective resources and experience of different partners, and move towards implementing larger-scale interventions and projects as the partnership accumulate gradual learning experience, acquire new resources, and attract greater political support.

## **4.2. Methodology**

In order to study and analyze Fayoum Governorate LED promotion experience, a qualitative methodological approach of a single case study analysis was applied. The selection of Fayoum LED experience as a case study is based on the fact that it is considered -to the extent of the author's knowledge- the most comprehensive attempt to promote local economic development at the governorate level through adopting a strategic planning approach. It was the most successful one among the four piloted governorates as part of the LED program of the Local Administrative Reform Unit (LARU) at MoLD.

As for the limitations of the study, although the study broadens the scope of knowledge on LED in general and on LED in developing economies -including Egypt- in particular, and builds better understanding of the dynamics of LED promotion in Egypt based on the findings from Fayoum LED experience, its findings and recommendations are country-limited and cannot be generalized to other locations worldwide, due to the methodological limitation inherent in the case study approach. The resistance of the relevant public entities to disclose the project final evaluation reports was another study limitation.

### **4.2.1. Data Collection**

The research depends on both desk research of secondary data, and primary data. The desk research is gathered through dynamic and critical reading of the strategy document of Fayoum LED Strategy, in addition to reviewing other relevant documents and academic literature in the form of national and international reports and research papers.

Whereas, collecting primary data was done through conducting a number of in-depth, semi-structured interviews with a purposeful sample.

#### **4.2.2. Sample Design**

The study selected a purposive sample of nine interviewees. Interviews were conducted during December 2016. Each interview took between a half-hour to two hours, and the identity of the interviewees remains anonymous. The sample included:

- *Three public officials at the Local Administrative Reform Unit (LARU) at the Ministry of Local Development (MoLD).*
- *One senior government official at the Ministry of Local Development (MoLD).*
- *Two team members of Fayoum local LED team at the Local Administrative Reform Unit (LARU) Fayoum local office.*
- *Team head of Fayoum local LED team at the Local Administrative Reform Unit (LARU) Fayoum local office.*
- *Managing Director of a local nongovernmental organization (NGO) in Fayoum.*
- *Tourism sector expert who was responsible for tourism sector economic assessment in Fayoum.*

#### **4.2.3. Data Analysis**

The primary data collected through the semi-structured interviews were thematically analyzed based on specific elements that were provided in the conceptual framework. The obtained secondary data were critically analyzed. Data triangulation was used in this study by obtaining the data from interviews with public employees at different hierarchical levels inside LARU and MoLD, in Cairo and in Fayoum. Using data triangulation allowed for cross-checking and validating the findings of this research. Based on the thematic analysis, the data emerged from both primary data and desk research was synthesized together to provide a clear and a deep understanding of the dynamics that affect LED promotion in Egypt with particular focus on Fayoum, and its effectiveness as well as its impact.

## **CHAPTER 5: Fayoum LED Promotion Experience**

### **5.1. Fayoum Governorate**

Fayoum Governorate is considered as a green oasis in the middle of the desert that is located on the west of the Nile. Fayoum is in the north upper region around 104Km from Cairo. Fayoum has been gifted with a very exquisite nature and a nice moderate climate all around the year. The population is around 2 million (2014), around 25% of them live in urban areas while the rest live in rural areas, with a natural population growth rate of 22/1000 (Egypt Information Portal, 2008).

Fayoum has a total area of 6068Km<sup>2</sup> which represents .6% of the total area of Egypt. The local administration system of the governorate consists of 6 districts, 6 cities, 161 rural local units, and 1428 hamlets (Egypt Information Portal, 2008).

The total cultivated areas cover 400+ thousand feddans. Fayoum is famous for cultivating fruits and also a number of other traditional crops (Egypt Information Portal, 2008). There are three industrial zones in Fayoum: Kom Oshim industrial zone, New Kom Oshim, and Kouta industrial zone. Many industries flourished in these zones, mainly: ceramics, spinning and weaving, porcelain, pottery, and many others (GAFI, 2016).

Fayoum is also considered as a major tourist attraction site with its rural, desert, and costal environments. It also the place for the monuments of many civilizations; the Pharaonic, the Greek, the Romans, the Coptic, and the Islamic. It also hosts prehistoric sites such as Wadi Al-Hitan (Whale Valley) which is a paleontological site that is listed by the UNESCO World Heritage Centre (UNESCO, 2016).

## 5.2. The Local Administration Reform Unit (LARU)

In 2007, the Ministry of Local Development (MoLD) was chosen by the Egyptian government to be the responsible entity for the implementation of decentralization initiatives at the national level. Accordingly, the ministry was assigned to prepare short- and long-term strategies to realize that goal. The strategy also aimed to reinforce socioeconomic development aspects at the local levels (UNDP, 2014).

In order to do that, MoLD has established The Local Administration Reform Unit (LARU) with the mandates of developing Egypt's local administration system, and exploring different options for reforming it with the aim of enhancing its performance and responsiveness to the local communities' needs and aspirations (UNDP, 2014).

### **LARU scope of work includes:**

1. Policy and legislative reforms with regard to local development and the local administration system, and the formulation of a national strategy for decentralization (UNDP, 2014).
2. Institutional reforms of the local administration system and MoLD itself (UNDP, 2014).
3. Developing the local administration system: monitoring and evaluation, personnel management, capacity development, performance appraisal, etc. (UNDP, 2014).
4. Promoting local economic development as a core function of the local administration along with other existing functions such as local services provision, through local and national collaboration (UNDP, 2014).

The structure of LARU consists of Finance and Administration Unit, Monitoring and Evaluation Unit, Capacity Development Unit, Local Economic Development Unit, Information Systems Unit, The Local Development Observatory, and affiliated LARU local offices at the governorates' levels (UNDP, 2014).

### **5.3. Technical Support to MoLD in Support to Local Development Project**

Technical Support to MoLD in Support to Local Development Project was launched by UNDP in 2007, in partnership with the United Nations Capital development Fund (UNCDF) to provide technical assistance to the Ministry of Local Development and its Local Administration Reform Unit (LARU) in order to develop a “National Decentralization Strategy” and guide decentralization reform in Egypt (UNDP, 2007).

The project also focused on introducing the approach, instruments, and skills of local economic development at the governorate and the district levels in order to push for a shift towards local planning for economic development with the aim of generating employment opportunities. That came from a belief in the pivotal role of the local administration in addressing and responding to the emerging local socioeconomic needs and challenges, especially during the transition period that Egypt has been going through.

The objectives of UNDP project were to support MoLD in promoting local economic development, establish the Local Development Observatory, and support reforming local administration laws and policies (UNDP, 2007).

One of the main deliverables of the project, which was completed on 2014, was the piloting of the local economic development promotion process in the governorates of Fayoum, Sohag, Ismailia, and Menya through the Local Administration Reform Unit (LARU) of the Ministry of Local Development (MoLD) and with the technical support of UNDP and UNCDF (UNDP, 2007).

The pilot aimed to lay the ground for the establishment of an LED national program that should promote economic development in Egypt at all local levels. It also aimed to serve as a proof-of-concept of the fact that local administrations, when properly capacitated and enabled, can lead economic development promotion process within their local communities (UNDP, 2016).

Fayoum and Sohag LED strategies were developed in 2013 -the process started in 2011 in Fayoum and later on in Sohag- and followed a strategic planning program-based approach where each program was designed to address, promote, and develop a certain sub-sector, a value chain, or a cluster. Well-capacitated and oriented teams were formed, a list of local and national consultants/experts were identified and contracted for each economic sub-sector at each governorate, and a series of participatory LED forums were launched (UNDP, 2014). By 2013, a comprehensive LED strategies were developed. Programs were to be implemented according to a set of specific objectives over a timeframe of 3-5 years, where each program included a number of projects and interventions of different types (UNDP, 2014):

1. **Economic Infrastructure Projects:** that address different aspects of physical infrastructure and quality issues such as access roads, access to water, energy generation, etc. (UNDP, 2014).
2. **Investment Projects:** which include micro, small, medium, and large-scale investment projects (UNDP, 2014).
3. **Skill Development Programs:** that provide specialized or general skills training modules and courses to build the capacities of workers, business owners, regulatory organizations' staff, and others (UNDP, 2014).
4. **Technical Assistance:** to improve the quality of production practices, quality control procedures, and allow for better oversight and monitoring practices, that target the private sector, small farmers' suppliers, public institutions, associations and unions, community organizations and groups, and others (UNDP, 2014).
5. **Institutional Development Initiatives:** to strengthen associations and cooperatives in a way that develops their facilities, services, and research and development activities (UNDP, 2014).
6. **Streamlining of Relevant Regulations:** enhancing the efficiency of different regulations and procedures that are deemed obstructive to some economic activities (UNDP, 2014).
7. **Alignment of Relevant Macro Policies:** reforming policies that might be obstructive and undermining to the local economic competitiveness and growth potentials (UNDP, 2014).



The mix of proposed interventions and projects varied from one program to another depending on each sub-sector and its opportunities and challenges. Also, the proposed implementing actors along with the potential sources of funding and financing mechanisms varied from one program to another (UNDP, 2014).

For the purpose of this study, the LED promotion process in Fayoum Governorate will be highlighted and further elaborated.

#### **5.4. The LED Promotion Process**

The process followed a strategic planning approach which can be considered as the standard practice for most LED promotion practices, and widely promoted by UN-Habitat and the World Bank (UN-Habitat, 2009) (World Bank, 2016a).

The process in Fayoum was carried out by a local team that was based in the local office/unit of The Local Administration Reform Unit (LARU) inside Fayoum Governorate building. The team was affiliated with the Ministry of Local Development (MoLD) and under direct supervision of LARU's central team at MoLD, and works in collaboration with the local administration in Fayoum.

The project which received its technical assistance and support from UNDP and UNCDF contracted an international LED consultant and a senior advisor on local economic development at UNCDF, to oversee the preparation phase and build the capacity of the LED team in Fayoum in order to effectively carry out the LED process. The international consultant worked in coordination with the former General Secretary of Fayoum Governorate who was later on selected to lead the LED process in Fayoum and head the local LED team, and the former Executive Director of LARU at MoLD who is also a local LED expert.

According to this arrangement, the project/process was implemented by LARU-MoLD, funded and technically supported by UNDP and UNCDF, and supported by Fayoum

Governorate with the objective of adopting the final strategy to come out of this process as the guiding economic development strategy for Fayoum Governorate and for the investment plans of different line ministries in Fayoum.

#### **5.4.1. LED Team Recruitment**

A team of three was selected after Fayoum Governorate had announced the opening of five internal vacancies -only public employees working in Fayoum Governorate could apply for these positions- stating specific criteria for selection. The team was selected based on their qualifications and after being interviewed by the LED team head and the central team at LARU-MOLD.

#### **5.4.2. Capacity-building Program**

The team went through a capacity-building program that was led by the capacity-building unit at MoLD along with the international LED consultant, who introduced the team to the process, tools, and skills of promoting local economic development based on his/her field experience in a number of countries. The output of this phase was the agreement on the methodology to be adopted by the team in order end up with a comprehensive LED strategy and plan of action.

#### **5.4.3. Building Agreement**

An agreement had to be reached over a number of different aspects. The team along with the consultant agreed on the general objective of the LED process to be implemented, and according to the strategy document the objective was stated to be:

*“Improve the annual income level of Fayoum residents while achieving social justice, improving Fayoum ranking among Egypt’s governorates according to the Human Development Index (HDI)” (LARU-MoLD, 2014).*

At the time of the project, Fayoum was ranked number 22 of 27 Egyptian governorates according to the Human Development Index, with an unemployment rate of 2.9% (2007) and GDP per capita of EGP 8433 compared to the national average of EGP 10246. The literacy rate for adults who are 15 years or over was 59% compared to the national rate of 70.4% (LARU-MoLD, 2014).

The team also agreed on analyzing nine economic sub-sectors -based on the International Standard Industrial Classification (ISIC) of all economic activities (United Nations Statistics Division, 2016):

**Agricultural Economic Activities**

- Crops, Vegetables, Fruits, and Irrigation
- Livestock and Animal Production
- Poultry Production
- Fishing
- Medicinal and Aromatic Plants

**Touristic Economic Activities**

- Tourism
- Eco-Friendly Handicrafts

**Industrial Economic Activities**

- Small-Scale Industries
- Industry and Mining (Industrial Zones)

An agreement and an understanding were built with the local executives and heads of the local administration system of Fayoum Governorate on the methodology and the expected deliverables of the LED promotion process, and on the role of different local actors whom participation and support was to be pivotal to the successful realization of the process objectives.

#### **5.4.4. Rapid Economic Assessment**

The LED team itself started with with rapid assessment of the economic activities taking place in the governorate. The aim of that exercise was to have a better understanding of

the different economic activities taking place, build a basic understanding of the main challenges and needs, and build relations with different local actors and stakeholders including the local community in Fayoum. The assessment was done through a number of surveys, interviews, and site visits.

#### **5.4.5. In-Depth Economic and Business Environment Assessment**

A tender was issued calling for an entity to undertake the task of conducting an in-depth assessment of the economic situation and the economic activities in Fayoum and the existing business environment. The tender was awarded to a private consultancy firm, which hired a group of consultants and academic, as well as industry, experts to carry out the required assessment. An expert was contracted for each sub-sector. The group of experts met with the project international consultant a couple of times to build a common understanding of the expected deliverables of the economic assessment exercise. The exercise was done based on primary and secondary resources. An economic profile was created for each sub-sector that analyzed the economic status, the existing challenges and needs, and the economic potentials. The assessment was both quantitative and qualitative and it was greatly dependent on value chain analysis of different economic activities.

#### **5.4.6. LED Forums**

Following the completion of the economic assessment, 27 participatory forums were organized: 3 rounds of 9 forums each (one for each sub-sector). Each forum hosted around 20 participants. The forums brought together different local actors and stakeholders: representatives of the relevant line ministries, nongovernmental organizations, associations and unions, the private sector and business associations, and community members. The aim of the forums was to validate the output of the economic assessment exercise, conduct SWOT analysis and develop a TOWS matrix, decide on a common vision for each economic sub-sector, and come up with specific proposals for different types of projects and interventions under each of the nine sub-sectors.

Participating actors were chosen based on their active roles in various economic activities whether they were affiliated to the public, private, or the nongovernmental sector. The choices were also based on a number of workshops and interviews with many local actors in order to choose the ones with deep understanding and knowledge of the local economy.

The first round of forums (9 forums, 1 for each sub-sector) validated the outputs of the economic assessment exercise conducted by the consultants/experts. Also, the main challenges facing each sub-sector were identified. In the second round, a strategy for each sub-sector was formulated with specific development objectives for that sub-sector. In the third and final round, a development program for each sub-sector with a set of proposed interventions/projects was developed.

#### **5.4.7. LED Strategy Formulation**

Another tender was issued calling for an external consultant/expert to prepare the final LED strategy document. The contracted consultant prepared an integrated and comprehensive strategy based on the outputs of the economic assessment phase and the forums. The strategy included the economic assessment, challenges, needs, and potentials of each sub-sector, the results of the SWOT analysis and the TOWS matrix of each sub-sector, specific development objectives for each sub-sector, and a development program for each sub-sector that includes a set of proposed interventions and projects and the expected implementing actors. The strategy was further reviewed and refined by the local team and it was adopted as the final LED promotion strategy for Fayoum Governorate. The strategy also included an action plan for the first year of the strategy.

#### **5.4.8. Fayoum Local Economic Development Conference**

In March 2014, Fayoum Local Economic Development Conference was organized under the support of the Governor of Fayoum. The conference which gathered different active local actors promoted the LED strategy that was developed and the economic potentials of Fayoum Governorate. The conference was concluded with a set of recommendations that included:

- Attract funding and investments in different infrastructure and economic projects that were proposed by the LED strategy.
- Enhance the level of collaboration among relevant public entities in order to adopt and include the interventions/projects proposed by the LED strategy in their annual investment plans.
- Work on implementing a number of proposed interventions/projects through the efforts of different local actors, and prepare detailed feasibility studies of promising investment projects.
- Continue the organization of LED forums in order to further develop the LED strategy and continue the dialogue among different local actors on the future of economic development in Fayoum Governorate.

#### **5.4.9. The Achievements**

The LED process was interrupted/discontinued when it reached the implementation phase following the political decision of the Ministry of Local Development (MoLD) to close LARU office and stop its support to the LED process in Fayoum. This resulted in an incomplete LED promotion process that managed to develop a strategy document that had not been turned into real interventions and projects. However, following the completion of the LED strategy and the organization of the conference, the local LED team was able to coordinate with a number of public and international entities and donor organizations to attract funding and investments and direct them to interventions and projects that were proposed by the LED strategy. These are some examples:

- Through the coordination with LARU, UNDP, and the Social Fund for Development (SFD), a grant of EGP 18 million was received from the Japan International Cooperation Agency (JICA) and was directed to a number of economic infrastructure projects that were proposed by the LED strategy. The projects included building access roads, establishing marketplaces, and developing water lines and some veterinary units.

- Based on coordination and agreement with the local administration in Fayoum, a grant that was received by the European Union (EU) for the development of rural projects in Fayoum was directed to economic rural projects proposed by the LED strategy.
- EGP 141 million were directed from the Industrial Development Authority (IDA) to develop supporting industrial facilities in Kom Oshim industrial zone.
- Through the support of the local LED team, handicraftsmen in Tunis village were able to showcase and exhibit their work and products in Tunis Festival.
- Program profiles were developed for four sub-sectors: Livestock and Animal Production, Poultry Production, Fishing, and Medicinal and Aromatic Plants. The profiles provided a detailed elaboration of the four relevant programs through developing a detailed project for each intervention/action proposed by each program. These profiles were based on the programs profiles that were included in the strategy, along with detailed value chain analysis of relevant economic activities.

## CHAPTER 6: Findings and Discussion

The experience of Fayoum LED promotion process demonstrated a number of negative externalities and internalities that have affected the process as well as some very promising indications. The experience showed that with the right mix of political will, competent and passionate individuals, availability of resources, and a shared vision for the future, great things can happen. One of central LARU team members expressed his/her opinion in the overall experience:

*“We completed 60-70% of the goal which is the difficult part: assessing the needs and challenges and proposing interventions and prioritizing them based on the participation of local actors. This is a great achievement, and what’s remaining is the sustainability part and availing the required funding. I call it a catalog that should guide any public, private, or donor organization on how to economically develop Fayoum and give them an overview of its economic status.” (Central LARU Team Member #1, one-to-one interview, December 6, 2016).*

The positive feeling that was expressed in his/her words reflected the fact that though there were many challenges that faced that experience and affected its outcome, there were also positive aspects that they still can capitalize on. Also, the head of the local LED team expressed an optimistic point of view regarding the future initiatives that Fayoum LED experiences has paved the way for:

*“It was a very good initiative and a cornerstone despite the difficulty of doing that under such bureaucratic administrative system. The LED process has laid the foundation for*



*promoting economic development at the local level, and the approach of LED was promoted. Though we couldn't implement everything that was planned, yet we built the capacity of strong calibers, this is a positive thing regardless of the percentage of its success. After Fayoum strategy, three other strategies were developed, and now the target is 27 governorates. That happened though we faced many challenges from 2011 till 2014 with three constitutions and four regimes and many demonstrations, and now we talk about institutionalizing the experience on the local and the regional levels.” (Local LED Team Head, one-to-one interview, December 19, 2016).*

From a participatory perspective, the process managed to bring together different local actors, and it succeeded in taking their inputs into consideration as huge added value to the process. According to one of the participants in the forums: *“What was unique about that experience was that previous initiatives used to listen to our inputs and throw it away, this time our inputs were greatly considered and were included in the strategy, and we were satisfied with the final output.” (Local NGO Managing Director, one-to-one interview, December 19, 2016).*

Also, it was evident during the course of analysis and interviews that the local community started the process with great interest: *“Local actors were very enthusiastic about developing their community and many offered donations and even free land for projects.” (Central LARU Team Member #3, one-to-one interview, December 6, 2016).*

The analysis of project documents and the interviews that have been conducted showed a number of challenges and points of critique that for the purpose of this study will be discussed at three levels: implementation methodology, institutional arrangements, policies, and regulations.

## 6.1. Methodology of LED Implementation in Fayoum

### 6.1.1. Selection Process of Experts/Consultants

The selection process was based on an open tender. That resulted in one private entity having full control over the economic assessment exercise which is considered to be the core of LED process. Another -probably more effective- alternative would have been the individual contracting of experts following intensive research that should have been conducted by the LED team in order to identify the most suitable candidates for such task.

The issue here is that when you contract a private entity for such task, there is a possibility that they might consider it as a routine exercise to fill out some governmental reports and then they contract individual consultants accordingly, who would primarily be concerned with finishing the task to get paid instead of sharing the same vision and enthusiasm of the team. To find a group of experts with the same level of enthusiasm and concern about Fayoum economic future, it would require an intensive research, meeting with potential candidates and listening to their inputs, and contracting the ones suitable for the task. The local LED team in Fayoum had a similar concern: *“We wanted consultants who would be excited to make enough effort to come up with a good assessment, not ones who would deal with it as something that they just need to get done with to receive their payments.”* (Local LED Team Member #1, one-to-one interview, December 19, 2016).

Another issue was the background of the team of consultants that conducted the assessment. Most of them came from an academic background, meaning that they had the academic body of knowledge and the ability to understand the nature of their relevant sub-sector, yet they had no industry or business background which was a problem when it comes to proper analysis of economic value chains and exploiting the economic potentials of Fayoum. The main objective of such exercise is to be able to promote the existing economic potentials, business opportunities, and local competitiveness of that particular region. In order to do that, you need someone with the same mindset of businessmen and investors in order to be able to effectively get them on board.

The local team demonstrated a greater preference towards working with experts with industry background. Based on their own experience dealing with experts from industry and academia they stated: *“We dealt with experts who had an academic background and others with industry/business background, and based on our experience industry experts were much more aware of the economic situation. The majority of the experts came an academic background.”* (Local LED Team Member #1, one-to-one interview, December 19, 2016).

Another issue that affected the overall quality and depth of the assessment was the extent of the fieldwork that was conducted by the experts. According to the local team, they had greater expectations regarding the amount of primary research that was to be conducted by the experts:

*“Not all the consultants have done field visits and primary research. As a result, their outputs were revised several times, and we had to fill the gaps in the experts’ assessment by going to the field and doing further study and research to reflect the reality of the local economy.”* (Local LED Team Member #1, one-to-one interview, December 19, 2016).

Finally, the team of experts worked to a great length in separate islands; there was no research team head to orchestrate the process and ensure the quality of final deliverables. They had a number of meetings in the beginning with the project international LED, yet most of the time they worked independently. Also, they didn’t participate in the forums - except for the tourism sector expert on a voluntary basis- which should have been an essential mandate of their contracted assignment.

The experts’ knowledge of the assessment methodology agreed upon by the team wasn’t well demonstrated: *“Almost all consultants had no knowledge or experience conducting value chain analysis.”* (Local LED Team Member #2, one-to-one interview, December 19, 2016).

### 6.1.2. Capacity Building

The LED team didn't receive formal LED and strategic planning training. Instead, it received what can be considered as a number of orientation meetings with the international LED consultant. The capacity-building should have also been extended to include lower-level local administrative units in order for them to actively participate in the process and share a common understanding of the expected outcomes, and also to prepare them for future leadership of the process at their local levels.

The central team demonstrated its understanding of the significance and effect of a good capacity-building program on the process: *“Once we properly build the capacity of a local team, things will go right.”* (Central LARU Team Member #1, one-to-one interview, December 6, 2016). *“Local administrations have competent calibers, and they only need the right environment, support, training and incentives.”* (Local LED Team Head, one-to-one interview, December 19, 2016).

The local team, however, expressed its dissatisfaction with the capacity-building process that they were part of: *“We needed a better capacity-building program, especially when it comes to how to conduct feasibility studies. The training didn't start until later in the project. We also need to build the capacity of local administrative units to be able to assess local economy at lower levels.”* (Local LED Team Member #1, one-to-one interview, December 19, 2016).

### 6.1.3. Duration of the LED Exercise

The LED exercise started in 2011, and the final LED conference was held in 2014. The strategy was formulated a whole year after the completion of the economic assessment exercise (Local LED Team Member #2, one-to-one interview, December 19, 2016). There are a number of problems that may arise from such too long duration. First, it is difficult to guarantee anymore that the final strategy that was presented three years after the beginning of the exercise still accurately reflects the economic situation and the exciting business opportunities that were identified at the time of the assessment. Second,

such long duration consumed a huge amount of human and financial resources making it rather difficult to inspire others to replicate. Third, when local actors and community representatives are engaged at one point with a set of expectations of the potential outcomes of such process, it is rather difficult to engage them again three years later taking into account that they have not witnessed any tangible achievements during the whole duration. Fourth, it is difficult to maintain the political and institutional support and sponsorship of the process over such prolonged period, especially with the rapid change in leadership as it was the case in Egypt at that time.

This long duration was an advantage from the perspective of having enough time to complete a comprehensive LED strategy, yet it imposes the risk of not being replicable in other locations under different circumstances and timeframes. This view was supported by a senior official at MoLD:

*“Fayoum was a unique experience because it was the first one, and it had a strong local administration and local experts, effective coordination between a strong local team and the central team, the support of UNDP and UNCDF, and local as well as international LED experst. All that lasted for over three years, compared to ten months in Ismailia for example.”*  
(Senior Official at MoLD, one-to-one interview, December 6, 2016).

#### **6.1.4. Local Development Vs. Pro-Poor LED**

There was apparent confusion at many points of the strategy and the process regarding the role of LED and its relation to local and community development from a social policy perspective. Local economic development should remain about ‘economic development’ in the sense of achieving economic growth through job creation and increased income level. LED falls within a broader context of local development which also includes social programs that focus on the poorest communities and the most disadvantaged groups trying to improve their quality of life, and also local physical infrastructure projects. The

differentiation that is rather critical here is the one between pro-poor LED that aims at inclusive and pro-poor economic development and growth, and local/community development projects and social programs that have no economic impact.

The strategy included some interventions and projects (such as providing fishermen with health insurance and organizing a school competition to select students for visiting touristic sites) which have no or very little indirect impact on economic growth. Though these types of interventions/projects represented a small minority, yet it is important to focus on the interventions that have clear linkages to economic growth while taking into account that such growth should be reflected on the poorest and most vulnerable communities in Fayoum.

### **6.1.5. Local Competitiveness**

It was not apparent from the strategy that Fayoum has a distinct local competitiveness, nor it was intended from the first place to create one. There was a number of ways to identify or create such local competitiveness which is according to many LED experts and scholars is the essence of the LED planning process. A specific location could be unique as a result of its natural resources, business environment, skilled labor, a cluster of related industries, etc. Instead, the strategy implemented a flat design where the nine sub-sectors stand next to each others to represent a comprehensive -yet not properly integrated- overview of the local economy. One way to create such local competitiveness was to select a specific region in Fayoum and present an integrated development vision for that location where different economic activities integrate, complement, feed, and support each other. The head of the local team expressed a different point of view regarding labeling the local economy with one single competitive advantage: *“I do not believe that we should have included one theme for the economic development of Fayoum. The governorate is like a smaller version of Egypt with its diversified environment and economic activities.”* (Local LED Team Head, one-to-one interview, December 19, 2016).

The local team expressed their intentions to prepare a location-based strategy, yet the work was discontinued: *“We were about to start geographical profiling to prepare a locational strategy, and we were to start with Qaroun Lake region which would have allowed for better sectorial integration.”* (Local LED Team Member #1, one-to-one interview, December 19, 2016).

### **6.1.6. Business Environment Assessment**

The main goal of the LED process is to provide the private sector with a favorable business and investment environment that encourage it to invest in that particular location instead of choosing another one, which in turn will lead to creation of employment opportunities, increasing income level, and improve the general quality of live for most local citizens. In other words, the goal of a local administration should be to support the market to work and function on its own and only intervene in the case of a market failure.

The assessment didn't focus that much on identifying specific business, investment, and regulatory challenges, and proposing action-oriented and realistic interventions to tackle these challenges. Instead it highlighted a number of regulatory challenges without going to great lengths trying to specify what exact laws, policies, and/or regulations are obstructive to starting and/or growing a business in Fayoum, which public entities are responsible for fixing them, and what the local administration in Fayoum can do within its authority to encourage businessmen and investors to start new businesses and invest in Fayoum.

The expert of the tourism sector gave an example of such obstructive environment:

*“If someone wants to do a tourism project he/she will be required to prepare a pile of documents for the local administration then another pile for the central administration which all ends at the General Authority for Tourism Development. It is a very lengthy process that is obstructive to investors. We have too many laws and too many entities that*

*all affect the decision to establish any tourism project.”*  
*(Tourism Sector Expert, one-to-one interview, December 19, 2016).*

### **6.1.7. Business Opportunity Mapping**

The assessment and the strategy did not present enough business opportunities that are available for the private sector and local entrepreneurs. Business Opportunity Mapping (BOM) exercise should have been conducted in order to capture the true economic potentials of Fayoum and to come up with a list of business opportunities with a potential high return on investment (ROI) in order to promote and market those opportunities to businessmen, local entrepreneurs, and investors.

One example of BOM exercise was the one conducted in Upper Egypt by UNIDO as part of a waste management and entrepreneurship development project. The mapping followed a supply-demand approach, examining what are the available types of agricultural wastes and what is the added value that can be obtained from each type of waste (like extracting pharmaceutical components from waste tomato). A list of potential business opportunities was created and then prioritized according to a set of criteria (ease of market entry, required capital, expected ROI, etc.). The list of business opportunities guided an entrepreneurship support program in agriculture waste management (UNIDO, 2015).

### **6.1.8. Service Sector**

The LED process in Fayoum focused on nine industrial sectors, yet the assessment neglected a number of economic activities that can go under the service sector. The service sector which is sometimes called the tertiary sector (the primary sector covers areas like farming, fishing, and mining, and the secondary sector primarily deals with manufacturing). Examples of such economic activities are financial services, wholesale and retail trade, accommodation, administrative and supporting service, arts, entertainment, recreation, food, and restaurants. The service sector is the greatest



contributor to Egypt's economy where it offers employment to about 50% of the population (Economy Watch, 2016).

The central team at LARU expressed a different point of view which again confuses the role of LED with regard to other social policy and community development programs: *“Fayoum is one of the poorest governorates, we can't discuss service sector like establishing a cinema or a franchise restaurant or a hypermarket before more critical issues such as sanitation, infrastructure, gas, etc. Also, local actors didn't ask for such services during the forums.”* (Central LARU Team Member #1, one-to-one interview, December 6, 2016).

### **6.1.9. Crosscutting Interventions**

There was a lack in the assessment and in the strategy of crosscutting interventions that should support the general economic development of different sectors. Entrepreneurship development programs, technical training programs, job-skill matching activities, business advisory activities, and access to capital and finance are all examples of crosscutting and soft infrastructure interventions (World Bank, 2016d).

### **6.1.10. LED Promotion Model selection**

The LED process that took place in Fayoum was influenced to a great extent by the LED approaches proposed by UN-Habitat and the World Bank. It seems, based on analyzing the models and the actual practices that took place in Fayoum, that there are some prerequisites to the successful implementation of such compressive planning approach.

Among the prerequisites are: the political commitment to the process, the availability of human and financial resources, and the availability of coordination mechanisms and shared understanding among different local and national actors. These prerequisites were not completely present or well-developed enough for a successful implementation of the process in Fayoum.

Also, the comprehensive planning approach consumes a lot of time and resources (which are already limited) and requires LED expertise, a track record of experimentation and learning, well-capacitated and competent calibers, and well-developed and mature local business community and active local leaders.

Another alternative would have been to adopt a simpler and limited-in-scope LED model from the existing ones that the process in Fayoum has adopted, or to choose another approach or model that is more feasible and context-appropriate.

## **6.2. Institutional Arrangements**

### **6.2.1. Building Shared Understanding**

It is pivotal to the success of the process to build a common understanding among different local and national actors on the expected outcomes and deliverables of the LED promotion process. That shared and common understanding was absent at some points of the process in Fayoum. That was most apparent with the change in leadership, where the process started with the sponsorship of the Minister of Local Development and the support of Fayoum Governor, yet with the change in leadership at the local and central levels which occurred more than once, the support and sponsorship of the process have weakened over time. As a result, different local and national actors had different understandings -and sometimes no understanding at all- of the process, the role of each actor, and the potential outcomes of the process.

One example of the lack of a shared and a common understanding was given by a member of the central LARU team: *“There were some high expectations from the local administration in Fayoum that MoLD has funding for the projects proposed by the strategy.”* (Central LARU Team Member #2, one-to-one interview, December 6, 2016).

Another example was given by a senior official at MoLD: *“There was a complementary project to the strategy which resulted in the development of detailed KPIs for good local*

*governance in Fayoum to offer an integrated climate for development, but this broad vision is may be clear to the central team alone.” (Senior Official at MoLD, one-to-one interview, December 6, 2016).*

### **6.2.2. Team Affiliation**

The team was affiliated to LARU-MoLD and working in coordination with the governorate of Fayoum. From the very beginning, that was a huge risk to the sustainability of the process. That also led to a parallel structure which its output is supported by the local administration, yet not officially adopted as the governorate official and formal economic strategy. That also led to a new leadership that came later on with lesser support of the team and the process, and a recent one with almost no knowledge of the process that took place (*Local LED Team Member #2, one-to-one interview, December 19, 2016*). The team should have been from the very beginning an integral and formal part of the governorate structure. Once there was a change in the leadership of MoLD, the work of the LARU unit and the team was discontinued, their office was closed, and they were returned back to their original positions in the local administration doing different types of tasks.

### **6.2.3. Team Selection, Structure, and Compensation**

The team was chosen out of the already-existing public employees of Fayoum Governorate. That meant that the competency of the team was dependent on the competency of the existing public servants. In Fayoum, luckily enough, the team was competent and hard-working, however, as a general principle, it would have been better to open the call for external candidates while offering appropriate financial compensation to ensure the competency of the LED team that will be responsible for a very critical function which the quality of its output can not be compromised.

The team should have been bigger in size, five members at least. Proper incentives and financial compensations should have been offered. The team should be led by an economic development expert or a specialist.

According to the local team, it was not easy to form the LED team since they faced challenges in recruiting and retaining team members:

*“Five were selected to form the team, then after knowing the scope of work and the suggested salary, three apologized. Another three were selected and also apologized later on, and two started the work anyways. Later on, another one joined the team starting from the second year and the beginning of the forums.” (Local LED Team Member #1, one-to-one interview, December 19, 2016).*

That resulted in overloading the local team with an amount of work that should have been handled by five instead of three team members: *“We needed to be a team of at least five members, it was too much for each one of us to manage three sub-sectors, revise the data, organize and manage the forums, lead discussions, and coordinate with different local actors. It was just too much for us.” (Local LED Team Member #2, one-to-one interview, December 19, 2016).*

#### **6.2.4. Building Commitment**

One of the major drawbacks that obstructed the successful implementation of the proposed projects was the lack of commitment of different local and national actors. There was no commitment from different line ministries that the output of the LED strategy proposed interventions/projects will be included in their annual plans for Fayoum. That lack of commitment was emphasized a number of times during the course of interviews:

*“Ministries and their local directorates have their own plans and budget priorities, and it wasn’t easy to negotiate changes in those plans” (Central LARU Team Member #2, one-to-one interview, December 6, 2016).*

*“We had a coordination problem with the ministries due to regular changes in leadership, between 2011 and 2014, many governors and ministers were changed”. (Central LARU Team Member #1, one-to-one interview, December 6, 2016).*

*“The local directorates didn’t adopt the projects contrary to what was intended and planned from the beginning.” (Local LED Team Member #1, one-to-one interview, December 19, 2016).*

Also, the governorate of Fayoum gave no official/formal commitment to include those interventions/projects in its annual socioeconomic investment plan. There was also no real commitment from different NGOs to fund and/or implement some of the proposed projects. The former governor of Fayoum adopted the strategy as the guiding document of local economic development efforts, and he attended some of the capacity-building activities and the LED forums. However, the following governor didn’t have the same level of understanding or commitment (Senior Official at MoLD, one-to-one interview, December 6, 2016).

### **6.2.5. Role of Local Popular Council**

The absence of Local Popular Councils (LPCs) was a negative externality that affected the output of the process. LPCs play an important supervisory role on the governorate annual plan and proposed projects, and it would have been an effective way to lobby through LPCs to push Fayoum Governorate towards officially adopting the strategy. According to a senior official at MoLD, that was a very negative externality to the process: *“The absence of LPCs had a negative impact on the process since it could have adopted and approved the strategy giving it higher level credibility and formality as the official governorate strategy.” (Senior Official at MoLD, one-to-one interview, December 6, 2016).*

### **6.2.6. Role of Fayoum University**

The University should have played an essential role in the process acting as a source of technical expertise and academic knowledge. Universities have rather critical role when it comes to technology commercialization and transfer which is one of the strategies of LED promotion, and also when it comes to collaborating with its staff with their diverse academic and market experiences, and also with its student body and graduates who can become a very important asset to the local administration.

## **6.3. Policies and Regulations**

### **6.3.1. Political Will**

*“We can do almost anything if we have the political will to do so.”* (Senior Official at MoLD, one-to-one interview, December 6, 2016. That is how a senior official at MoLD sees the significance of the political will to the success of any initiative. It is all subject by the end to the political will of high-level senior officials whether to support and facilitate the process or to obstruct it. When the LARU unit was established, there was strong political will to develop the local administration system and to move towards decentralized local governments. Also when the LED program started, there was political will to pilot LED promotion and to include it by time as a core function of the local administration system. During the process itself, there was a change in leadership that was followed by a change in political will too. The new leadership of MoLD decided to discontinue the LED program and closed LARU office in Fayoum. That was the main reason that led to the ineffective implementation of the proposed interventions since there was no team anymore to follow up with different local actors and ministries, and there was new leadership at the local level that had no knowledge of the process and its outcomes nor an official mandate to adopt and implement the strategy. The rationale behind the decision to close LARU unit and stop the work on LED promotion in Fayoum was not clear to any of the members of the central and local teams, and each of them had his/her own interpretation:

*“The program was discontinued, and we couldn’t reach the implementation phase. It was discontinued based on a political decision; it was never a matter of funding availability.” (Central LARU Team Member #2, one-to-one interview, December 6, 2016).*

*“MoLD closed LARU offices; it was a change in policy that I do not know exactly the rationale behind it. The governorate addressed MoLD through many letters asking not to close LARU unit in Fayoum but no response was received, may be they had no funding.” (Local LED Team Head, one-to-one interview, December 19, 2016).*

One possible theory that might explain why the Ministry of Local Development decided to cut its support to the LED program is the launching of the National Project for Community, Human, and Local Development: Mashrouaak, which translates to ‘Your Project’, that was launched by MoLD in 2015. The project in partnership with a number of national banks provides youth with loans to start their own small and medium-sized enterprises (SMEs) and aims to create one million job opportunity (Cairo Governorate, 2016). This might have led to a shift in MoLD LED promotion policy/approach.

### **6.3.2. LED Ministerial Committee**

It seems that a valid solution for the change in leadership and political will is the institutionalization of the LED process, with formal mandates both on the central level and on the local level. LED Ministerial Committee was about to be established by the decision of the Cabinet and it was planned for to consist of ministers and technical representatives of different ministries with the coordination of the Minister of Local Development, yet with the change in leadership and political will, there was no real progress towards realizing that goal. Abandoning that initiative had a negative impact on the Fayoum experience as well.

Recently in December 2016, MoLD has directed the 27 governorates of Egypt to establish LED teams as part of the governorate organizational structure. It is stated in the ministry plan now that local LED teams are to be formed in all governorates and to restructure the organizational charts of the governorates to include the LED team in their formal structure through the coordination with the Ministry of Planning, Monitoring, and Administrative Reform. (Senior Official at MoLD, one-to-one interview, December 6, 2016).

It is also important that when these teams are formed, to include different levels of the local administration system in the LED promotion process and to build their technical capacity.

It is also very critical to the success of the process to accompany it by real political support and to be championed by high-level officials who are able to guarantee the required resources and commitment to the process: *“The promotion of the strategy needs the political championship of the high-level leadership.”* (Central LARU Team Member #1, one-to-one interview, December 6, 2016).

### **6.3.3. Decentralization and Funding**

It is rather very difficult to promote local economic development according to the international best practices while working as part of a centralized system. The local administration system in Egypt lacks the full autonomy of controlling its budget, managing the budget according to its local needs, deciding which projects and interventions to implement, and most importantly, generate, collect, and manage its local revenues.

The lack of funding resources as the main challenge to the success of any LED initiative was emphasized many times during the course of interviews. Both the central team and the local teams looked at funding availability as a crucial factor to the success of the process:



*“Only 10% of the proposed projects were implemented due to lack of funding. At many cases, the central and the local teams used their own money to cover travel expenses and other related expenses.” (Central LARU Team Member #1, one-to-one interview, December 6, 2016).*

*“There were no enough resources to implement the proposed interventions, and the local LED team that was responsible for identifying funding resources and coordinating with local directorates to include the projects in their investment plans was discontinued from work, and everything stopped accordingly, and the governorate didn’t follow up afterward.” (Local LED Team Head, one-to-one interview, December 19, 2016).*

The negative impact of a centralized administrative system goes beyond the lack of local financial resources, as one example by the head of the local team in Fayoum has demonstrated:

*“The new industrial zone which the governorate has made a lot of effort to establish it, covering over 2000 feddans, is now affiliated to IDA according to the new investment law which means that the governorate does not have the autonomy of attracting investors and developing the industrial zone. This is nonsense.” (Local LED Team Head, one-to-one interview, December 19, 2016).*

#### **6.3.4. Egypt’s Vision 2030**

It is common in LED practices that local plans are influenced by a broader national economic development strategy. Egypt recently has issued its 2030 economic development strategy, yet the link between that strategy and Fayoum LED strategy wasn’t

established. That would risk proposing interventions and projects that are not aligned or consistent with the national strategies and plans. The development of Fayoum LED strategy was prior to Egypt 2030 Strategy, so its is important to link the proposed interventions and projects with the goals and indicators of the national strategy when further revisions of the strategy take place. The Ministry of Local Development had a plan to integrate different local plans into a regional plan (starting with a regional plan for North Upper Egypt Regional Unit which includes: Menya, Beni Suef, and Fayoum) and then based on different regional plans, a national economic development plan can be created. (Senior Official at MoLD, one-to-one interview, December 6, 2016).

## **CHAPTER 7: Recommendations**

### **7.1. Institutional**

#### **7.1.1. LED Team Affiliation**

The LED should be part of the local administration system. The LED function is mandated by the constitution to be a core function of the local administration system, thus, it can't be done through a parallel structure that separates the official local administration from its role as the leader of the economic development process at its local level.

This local team should receive technical support from a national LED team that has the high-level political support to coordinate among different ministries and public authorities to formally guarantee their active role in supporting the local administration system and its LED process.

#### **7.1.2. National framework for LED promotion**

A national framework for the promotion of LED should be created to include detailed practices, toolkits, and methodologies that are feasible and context-appropriate. This framework should guide the work of all local LED teams and should include monitoring, evaluation, and accountability mechanisms. It should also acknowledge that different local administration levels require different approaches and methodologies.

#### **7.1.3. Governorate Plan vs. Governor's Plan**

An institutional mechanism should be put in place to guarantee that whatever the strategy that has been developed in a certain location it should be considered the governorate

official strategy and should not be subject to the new governors' own visions in the case of a change in leadership. Preparing a long-term strategy requires institutional –rather than individual- commitment to the strategy and its outcomes, and unless this can be institutionally enforced and guaranteed, plans and strategies will keep being developed, and resources are wasted with no real impact.

#### **7.1.4. Integrated Planning Process**

An integrated planning approach should be adopted in order to integrate the efforts of different planning entities such as line ministries, local administrations, General Organization for Physical Planning, Ministry of Planning, and other public entities (Nada, 2012), all into one single integrated sustainable development strategy and plan for each governorate, another one for each Economic Regional Unit, which by the end should all constitute the National Annual Sustainable Development Strategy and Plan

#### **7.1.5. Merit-Based Selection System**

When it comes to the LED team members, the technical experts and consultants, or the local executives, they all must be selected based on their technical competencies, professional experience, and their vision and plan for that particular local community. That would require close examination and merit-based evaluation of potential candidates, and would probably require opening those positions for external candidates as well and not to restrict them to the existing pool of local public servants.

## **7.2. Operational**

### **7.2.1. Role of LED**

The role of local economic development in a particular location should be well articulated and agreed upon. The main objective of LED initiatives is to achieve economic growth, create jobs, and increase income level, and one of the main tools to realize these objectives

is availing the right local business and investment environment. It is not the role of the government to generate jobs; it is rather the role of the private sector, and the government has to intervene to provide the right encouraging environment for that to happen.

In that sense, the roles of LED should include: assessing the economic situation, fixing market failures, building an encouraging environment for businessmen and investors, promote and support local entrepreneurship, promote existing business opportunities and economic potentials, and coordinate among different local and national actors.

### **7.2.2. Entrepreneurship development & Business Support**

One of the most important objectives of any LED initiative is to support local entrepreneurs, promote business entrepreneurship, offer –or facilitate- entrepreneurship development programs and training. Also, it is important to offer a variety of business support services, especially the ones directed to micro, small, and medium-sized enterprises (MSMEs). One of the most important business services is facilitating access to capital and finance, through collaboration with different local and national financial institutions and business associations.

### **7.2.3. Service Sector**

It is very crucial to include the service sector in LED planning. The service sector is a great contributor to most developing economies and it creates the largest share of employment opportunities. One of the tools to identify gaps in the service sector and existing potential business opportunities is through conducting public surveys.

### **7.2.4. Skill Development**

One of the crosscutting interventions that has rather a great impact on economic development and the level of unemployment in a certain location is skill development programs. LED initiatives should focus on building the technical capacity of both the workers and the unemployed in a way that responds to the needs of the private sector and

feeds the existing industries. Vocational trainings whether informal training programs or formal vocational education are very viable tools to build and improve the employment skills in a certain community.

### **7.2.5. Generic Locational vs. Strategic Locational LED strategy**

There are two main ways to think about an LED strategy. The first one is to follow a generic locational LED strategy that aims to improve the business environment for all potential sectors and industries. The other way is to have a general direction that is built around a local competitive advantage (cluster promotion is an example) and the strategy works to promote and market the specificity and uniqueness of that location.

### **7.2.6. Business Opportunity Mapping (BOM)**

It is important to build shared understanding of the role of the government and LED promotion process. The government should expose and promote the economic potentials of a particular local economy and the existing business opportunities so the private sector can capitalize on that, start and grow different types of business ventures, and eventually grow the local economy. Business opportunity mapping is a very effective tool to identify such promising opportunities with high potential return on investment.

### **7.2.7. Capacity-building at Lower-Levels**

LED programs should take into consideration that LED could be promoted at different local levels. It is very critical not to ignore local administrative units when planning an LED process and especially when it comes to building the technical capacity of the local teams.

## **7.3. Contextual**

### **7.3.1 Decentralization**

It must be acknowledged that real development of a local economy can't be realized under a rigid administrative system. In order for local administrations to fully realize, promote, and develop the full potentials of their local economies, they must have the authority and the autonomy to plan for the future of their localities, generate local revenues, plan, control, and manage their local budgets, manage and decide on different local public facilities and lands, and to be politically accountable to their constituents.

Real steps towards decentralizing the local administration system in Egypt is critical to the success of future local economic development initiatives.

### **7.4. Government-Led Active Partnership Approach (GAPA)**

The approach proposed by this study is to be called: Government-Led Active Partnership Approach (GAPA). This approach stands on a number of underlying assumptions:

- The approach will be used by a local administration that does not have a track record of successful planning and management of local economic development activities/initiatives.
- This local administration has limited funding resources.
- This local administration work as part of a centralized administrative system, meaning that it has no real financial and/or administrative autonomy, nor the ability to elect its local executives.
- There are no official mandates that guarantee the adoption of the proposed LED interventions and projects by relevant public entities.
- The local community does not have a track record of active collaboration for the purpose of local economic planning and development.
- There is no national policy or framework for promoting LED.

This approach which is inspired by PACA approach that was applied in many developing countries, stands on the basis of gradual learning and resources optimization. The premise here is that if the local administration does not have the power nor the authority to fix or eliminate the existing negative externalities and internalities, then it should optimize the use of its resources and assets, capitalize on any existing positive externality or internality, acknowledge the reality of the existing situation, and start a gradual learning process that begins with implementing realistic interventions and projects according to the existing resources, and by time and with the accumulation of experience, it should increase the scale of its initiatives, address bigger issues and challenges, and follow a more strategic and comprehensive LED promotion approach.

It also aims at creating success stories and relatively quick-wins which should promote the Partnership and its impact and would generate additional resources, funding, and political support to the process and the Partnership.

***GAPA approach or methodology is explained through the following steps:***

## **1. Building Agreement**

During this stage which might take up to one month, the local LED team works to identify active local actors and organization. The aim of this stage is to establish a government-led active partnership. The Partnership which is inspired by the model of Cape Town Partnership is an informal coalition of different local actors, facilitated and led by the government-affiliated LED team. The goal of the Partnership is to work collectively towards developing the local economy. Each partner has the responsibility of capitalizing on its resources and assets to play an active role in promoting LED. This Partnership is not about sharing inputs and inactive participation; rather it is all about playing an active role and sharing the responsibility of completing specific tasks. These actors must also agree on the methodology, the objectives, and the expected outcomes and deliverables of the process, as well as the role and responsibility of each one of them.



Another type of agreement is the one between the Partnership and other local and national actors who can either facilitate or hinder the process; drivers of change. For example, an agreement must be built between the Partnership and different ministries in order for them to take an active part in implementing the proposed interventions and projects as well as including them in their annual investment plans.

## **2. Rapid Economic Assessment**

Through the assistance of one external consultant/expert, the Partnership is expected to conduct a rapid economic assessment of the different economic activities that are taking place in their locality, as well as the business and investment climate there.

This rapid assessment starts with reviewing the existing information and data (through secondary resources) and continues with a number of meetings and field visits with the relevant stakeholders. The outcome of this stage is to come up with an overview of the status of the local economy, fill the information gaps through meeting the relevant stakeholders, and conduct SOWT analysis of different economic activities. This stage which is implemented by the collaborative effort of all partners should take up to two months.

## **3. GAPA Forums**

The forum is some form of a meeting or a focus group with the relevant stakeholders. The aim of the forums is to validate the outputs of the economic assessment, identify and agree on the local competitive advantages of their locality, and come up with a set of proposed interventions and projects that have a potential economic impact on their community. This stage might take around one month of weekly forums.

#### **4. IPCL Action Planning**

IPCL stands for Intervene, Promote, Collaborate, Lobby. The idea behind this stage is to categorize the proposed interventions and projects according to four different potential courses of action: ‘Intervene’ is for the type of interventions or projects that one or more of the local partners with their available resources and assets can implement on their own, ‘Promote’ is for the type of projects and business opportunities that the private sector and the business community, in general, might be interested in since they would generate good Return on Investment (ROI), ‘Collaborate’ is for the interventions and projects that could be implemented through collaborating with or influencing the plan of another external entity that is not part of the Partnership, ‘Lobby’ is for the interventions and projects that need huge amount of resources and would require the intervention of the central government and need a certain level of lobbying to generate enough political momentum to support their implementation.

After completing this categorization, it is critical to identify the role of each partner with regard to each of the proposed interventions and projects.

The interventions and projects under the categories of Promote and Lobby do not need detailed feasibility studies or proposals. The Partnership should prepare concept notes indicating the potential economic impact, and the entity responsible for the implementation should be the one to prepare the detailed feasibility studies prior to implementation.

For other interventions and projects, each partner responsible for leading the implementation of a particular intervention or a project should prepare a detailed proposal or a feasibility study prior to the implementation.

The interventions and projects should have a pro-growth focus taking into account the most economically vulnerable communities.

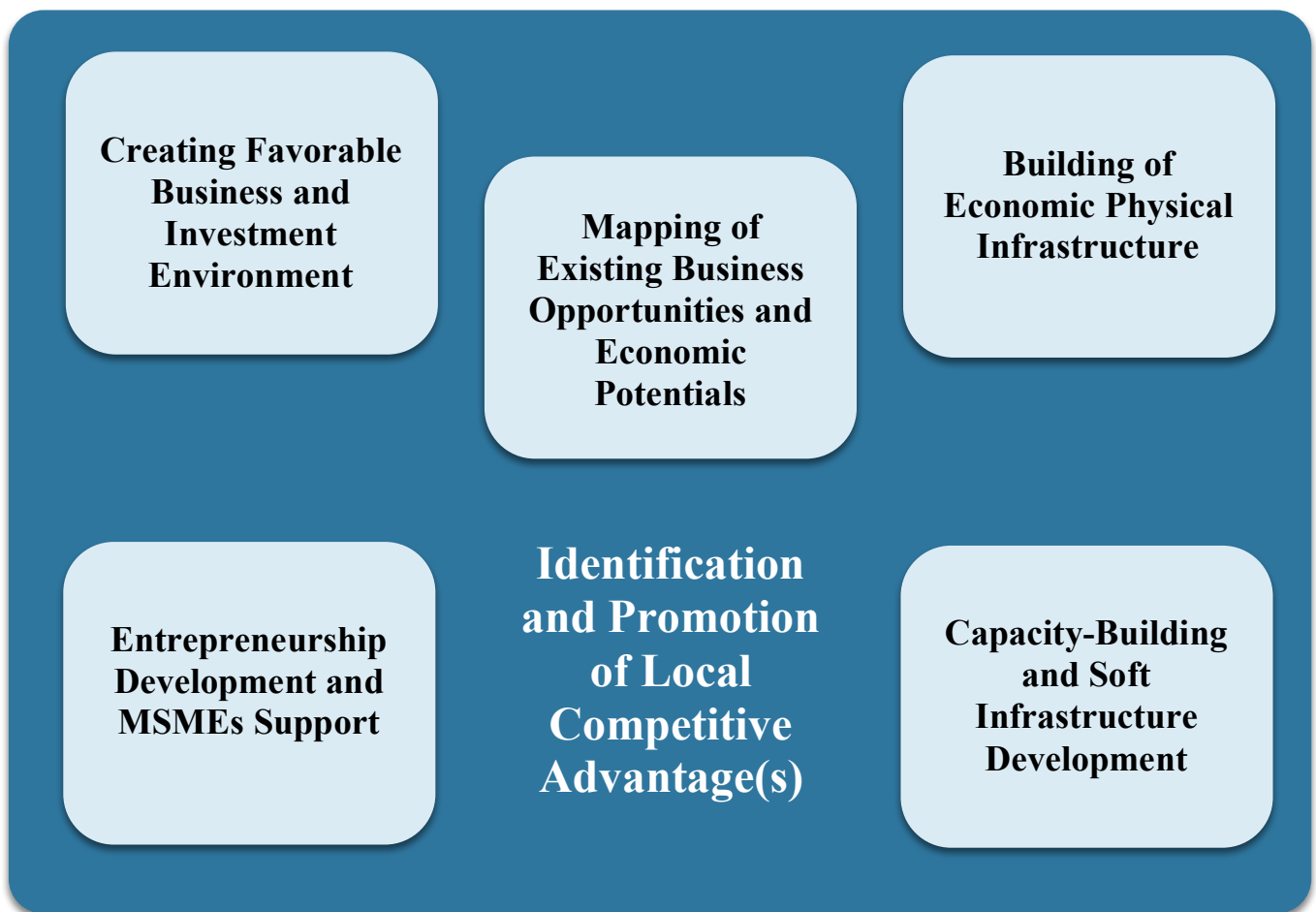


Figure 3. Core Initiatives of LED Promotion Process

Source : Author

The proposed interventions and projects should primarily focus on fixing existing market failures and creating responsive environment to the needs of the market: provide the private sector with a favorable business and investment environment, build the technical capacity of workers and youth in a way that matches the needs of the local business community, promote local entrepreneurship and support startups and MSMEs through a variety of business services and better access to capital and finance, map and promote existing business opportunities, and build physical infrastructure with proven economic return on investment. All these interventions should be centered around a local competitive advantage that should be well-identified and promoted.

## **5. Implementation**

Upon deciding on the responsible local actor and preparing a detailed proposal or a feasibility study and being approved by the Partnership, that local partner/actor should start implementing the project with the collaboration or the support of other partners. Also, other interventions or activities related to the interventions and projects in the Promote and Lobby categories should be implemented by the relevant partners/local actors.

## **6. GAPA Review Meetings**

Bi-weekly review meetings with the attendance of all partners should take place to discuss any recent updates and follow up on the progress of work. An annual review should be conducted to evaluate the outcomes of the Partnership and come up with a set of recommendations and lessons learned for the following year. With the accumulation of experience and the increase in available resources and the right political will and support, the Partnership can move towards implementing interventions and projects that are larger in scale and impact, and more strategic in scope.

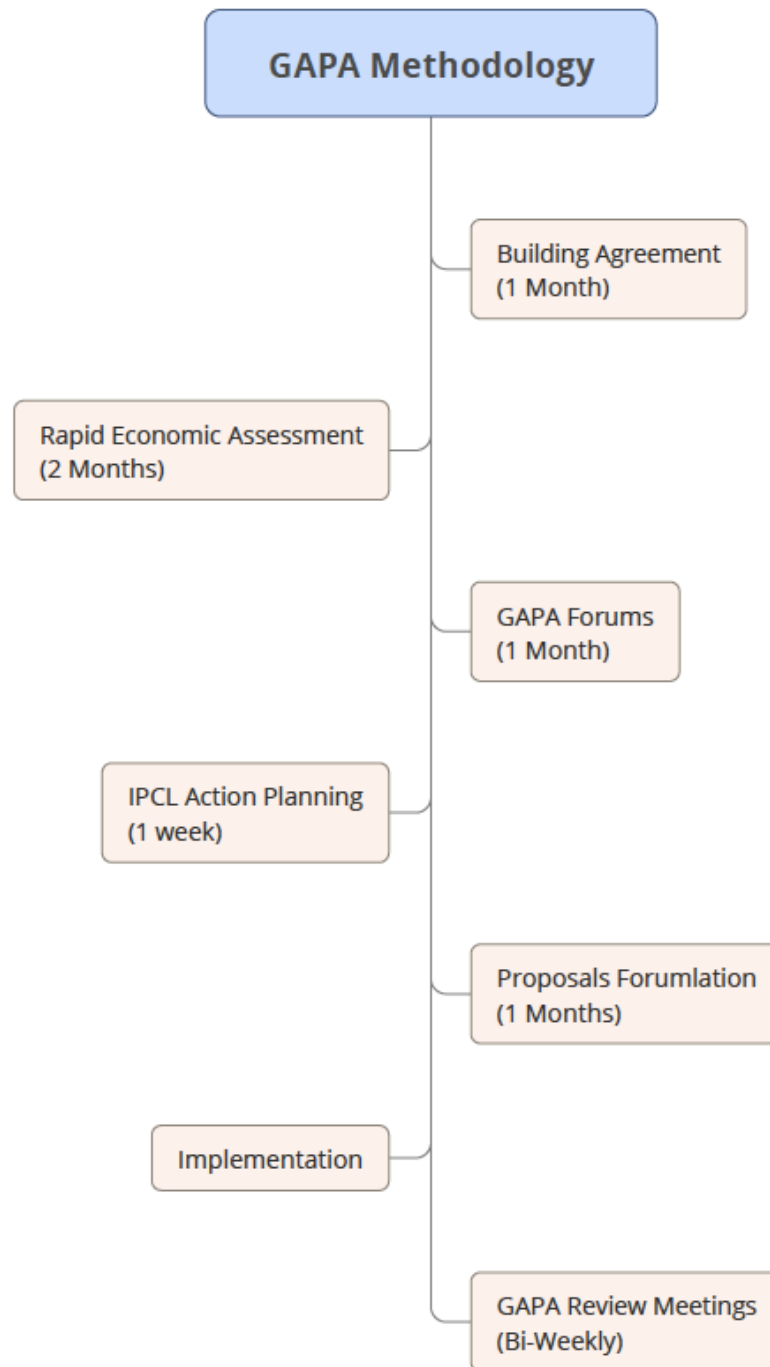


Figure 4. GAPA Approach Methodology  
Source : Author

## 7.5. Conclusion

There are huge economic potentials that exist at different local levels in Egypt. Local Economic Development (LED) represents a very viable and effective tool that can help local administrations in Egypt realize these potentials. Once these potentials and values are properly captured, this can create a wave of economic growth that can eventually lead to a higher level of prosperity and improved quality of life for the local citizens.

Based on different countries' experiences and upon close examination of the LED promotion experience that took place in Fayoum Governorate between 2011 and 2014, it is rather obvious that there are prerequisites for the success of any LED promotion process, especially in developing economies. The absence of one or more of these prerequisites can be very challenging for local administrations and can obstruct their abilities and endeavors to achieve economic development in their local communities.

Among the most important of these prerequisites and predetermining factors are: the need for local administrations to have authority and autonomy in planning for their local economies and to be able to manage their own local assets and to generate and manage local revenues. Also, a strong political will and official commitment to the process is crucial to its success. The need to build the capacity of local administrative systems and prepare competent and skilled local calibers have proven to be very essential to effective implementation of LED initiatives.

Unless the central government along with the efforts of local administrative systems manage to overcome and/or eliminate these challenges, different and more context-appropriate approach from those proposed by international donor organizations has to be locally adopted in order to capitalize on the existing limited resources in the most effective and efficient way possible, and through a process of gradual learning and accumulative experience, those local communities can move towards more comprehensive and strategic approach to LED promotion.

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