CELEBRATING CLGF'S
20TH ANNIVERSARY

BACKGROUND PAPER

2015

Commonwealth Local Government Conference

Local government 2030: achieving the vision

GABORONE INTERNATIONAL
CONFERENCE CENTRE
Gaborone Botswana
16-19 JUNE 2015

Republic of Botswana
Ministry of Local Government
and Rural Development

bala

clgf

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20TH ANNIVERSARY

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Foreword

CLGF's biennial conference is a key date in the local government calendar. It brings together local government mayors and leaders, ministers of local government, senior officials from local, state, provincial and national government, representatives from civil society, the private sector, academic organisation and development partners from across the 53 countries of the Commonwealth and beyond. The conference in Botswana is taking place as the framing of the post-2015 global development agenda draws to its conclusion. The period of implementation for the Millennium Development Goals (MDGs) finishes this year, and we are looking towards the agreement of new Sustainable Development Goals (SDGs) at the UN General Assembly in September, which will inform local, national and international development priorities over the coming decade and a half.

It is essential that local government's role as a partner in the implementation of the SDGs is highlighted and secured. The draft goals already recognise the specific priorities of cities and human settlements, and global local government partners including CLGF, have come together to emphasise the importance of localisation of all the goals to ensure that local people everywhere have access to the basic services, economic, social and political opportunities which are encapsulated in the SDGs. To ensure that these ambitious but achievable goals 'leave no one behind' and relate to government 'at all levels', it is important for local government's role in setting, implementing and monitoring to be recognised and endorsed.

The Conference will seek to challenge the status quo and encourage local government to think strategically in terms of the kind of local government that must be in place to enable local government to be effective partners in the implementation of the SDGs. It will culminate in the agreement of a "Local Government Vision 2030".

Drawing on experiences from across the Commonwealth, the background paper highlights both the role of local democracy and good governance in achieving the vision for 2030; and the importance of local government in economic development and cities as engines of economic growth. The paper draws on good practices taking place around the Commonwealth currently, but also looks forward and looking to the future, considers what some of the priorities should be to enable local government to play a full role in the implementation of the SDGs whilst maintaining its responsiveness locally.

We hope you will find this background paper informative as well as challenging. We look forward to your input into the debates and discussions at the Conference, and encourage you to reflect on the questions highlighted throughout, both from the experiences in your own country and the sector as a whole. There will be an opportunity through plenary sessions and working groups to discus issues in more depth. The Conference outcomes will contribute to the Local Government Vision 2030, which we hope will support our members and partners in meeting the challenges of localising the SDGs in the post-2015 era.

Carl Wright
Secretary-General, CLGF

The post-2015 global agenda – a role for local government

Lucy Slack Commonwealth Local Government Forum

*"World leaders have an unprecedented opportunity this year to shift the world onto a path of inclusive, sustainable, and resilient development" -
Helen Clark, UNDP Administrator, January 2015.*

Introduction

The Commonwealth Local Government Conference 2015 – *Local Government 2030: Achieving the vision* is taking place at a crucial time of flux and change. The period of implementation for the Millennium Development Goals (MDGs) is drawing to a close, and the global community has been and indeed, still is, actively debating what should replace them. Local government is working hard to ensure that the post-2015 global development agenda reflects the important role of local government in defining, implementing and monitoring the new targets. It is a unique opportunity for local government to make its voice heard, to promote the importance of localisation in the debate, and to position local government as a key partner in the implementation of the proposed Sustainable Development Goals (SDGs).

Alongside the negotiations to agree the new Sustainable Development Goals, which will be agreed at the UN General Assembly in September 2015, a number of other inter-related international negotiation processes form part of the global development agenda. Namely the adoption of the Sendai Framework for Disaster Risk Reduction 2015-2030 at the Third United Nations World Conference on Disaster Risk Reduction, Sendai, Japan, March 2015 (United Nations 2015a); the third International Conference on Financing for Development, Addis Ababa, Ethiopia 13-16 July 2015; the efforts to agree a Universal Climate Change Agreement which will culminate in the the United Nations Climate Change Conference, COP21, Paris 30 November – 11 December 2015; and the Habitat III process, which will take place in Quito, Ecuador, October 2016 to agree a New Urban Agenda. It is essential that the implementation of these processes are integrated.

Background: The Millennium Development Goals (MDGs)

In 2000 governments took an historic decision in agreeing eight goals to drive the global fight against poverty – the Millennium Development Goals (MDGs). The goals were simple and clear, ranging from *eradicating extreme poverty and hunger and achieving universal primary education, to ensuring environmental sustainability* and *developing a global partnership for development,* and they were accompanied by specific targets with a set of global indicators. At the time the Goals were developed there was little discussion around how they should be implemented and certainly few discussions around the role of local government in their delivery.

By 2010 it was clear that progress towards meeting the goals was uneven, and some of this was as a direct result of them being seen as a top-down exercise directed by national governments, despite many of the component services essential to meeting the targets, such as water provision, sanitation and primary health care being services shared between national and local governments, or indeed the sole responsibility of subnational/local governments and other local stakeholders. The 2010 UN Global Forum in Uganda highlighted this (UNCDF 2010), by stressing the importance of intergovernmental partnerships in meeting the targets, and the concept of localisation of global targets was born.

The Sustainable Development Goals

The MDG period comes to an end in 2015, and global focus has turned to assessing what has been achieved, and the significant challenges countries still face in tackling poverty and reducing inequality. Substantial progress has been made under the MDGs - since 2000 the proportion of people living in poverty has been halved, over two billion people have gained access to improved sources of drinking water and huge gains have been made in fighting communicable diseases such as tuberculosis and malaria. However the gains are uneven; at the same time, 1.2billion people globally still live in poverty, more than 2.5 billion people lack improved sanitation facilities and progress is slow in improving maternal mortality rates (United Nations, 2015b).

Twenty years after the 1992 Earth Summit in Rio, where countries adopted Agenda 21 — a blueprint to rethink economic growth, advance social equity and ensure environmental protection — the UN brought together governments, international institutions and major groups to agree on a range of measures to reduce poverty while promoting decent jobs, clean energy and a more sustainable and fair use of resources. The Rio+20 Conference in 2012 was seen as a chance to move away from business as-usual and to act to end poverty, address environmental destruction and build a bridge to the future. One of the main outcomes of Rio+20 was agreement by UN member States to launch a process to develop a set of Sustainable Development Goals (SDGs), which would build on the Millennium Development Goals and converge with the post-2015 development agenda (United Nations 2012). It was agreed that the SDGs should be "action-oriented, concise and easy to communicate, limited in number, aspirational, global in nature and universally applicable to all countries while taking into account different national realities, capacities and levels of development and respecting national policies and priorities".

The global debate on the post-2015 development agenda, which seeks to build on the achievements of the MDGs but also address some of the recognised limitations, is now well underway. Unlike in 2000 when it was essentially the preserve of governments; local government, civil society, the private sector and other national, regional and international stakeholders have been far more effective in mobilising and engaging in the process to define the SDGs and their role in the implementation of them. Local government has been very active in recognising how pivotal this process will be and has been proactive in ensuring that the voice of local government has been heard throughout. This started with the work of the High Level Panel set up to provide guidance to Ban Ki-moon, Secretary General of the UN, which included Dr Kadir Tophas, Mayor of Istanbul and President of United Cities and Local Government (UCLG) as a member, representing local government (United Nations 2012b).

The priorities for local government

Local government has been actively engaged throughout the process, coming together to strengthen its voice as the **Global Taskforce of Local Regional Governments for Post-2015 and Habitat III.** The Global Taskforce brings together global organisations and networks of local government including United Cities and Local Governments, the Commonwealth Local Government Forum, and ICLEI together with development partners such as UNDP and UN Habitat, to highlight and actively promote local government's role in the post-2015 global development agenda and beyond to Habitat III in 2016. There is also a Local Authorities Major Group in the working group negotiations at the UN which the GTF has been working closely with.

Local government has and continues to make a strong case for its role as an implementing partner of the SDGs to be fully recognised; to ensure that global and national targets can be set, delivered, and monitored locally. Not only are many of the key services essential to meeting the proposed SDGs delivered at the local level, but local governments are in the best position to ensure that the needs of local people are understood and met, and that the SDGs are locally owned, inclusive and *"leave no one behind"*. This was the strong message coming out of CLGF's conference on Developmental Local Government and its consultation on the SDGs in Kampala, May 2013 and has been reflected in subsequent texts in the context of implementation, including in *The Road to Dignity by 2030: Ending Poverty, Transforming All Lives and Protecting the Planet, Synthesis Report of the Secretary-General On the Post-2015 Agenda, New York, December 2014,* through reference to implementation "by all levels of government" (United Nations 2014c).

The local government community, through the Global Taskforce has also worked with a range of other partners to highlight the impact of rapid urbanisation on development and to call specifically for a goal which focuses on the need for inclusive, safe and sustainable cities and human settlements. Cities are widely recognised to be the engines of growth critical to development, but at the same time they are often home to widespread poverty and face huge governance, service delivery and infrastructure challenges. Their rapid population growth also impacts significantly on human settlements in rural and peri-urban areas. An "urban goal" reflecting this territorially-based challenge in all human settlements is currently one of the draft SDGs reflecting the increasing emphasis globally on the impact of rapid urbanisation on the lives of the urban poor and disadvantaged.

CLGF has played a key role in the post-2015 process. It has contributed actively to the advocacy and policy debates at all levels, including through its engagement with DeLOG (Decentralisation and Local Government Network of development partners). Its advocacy has consistently focused on strengthening local government as an actor in development and this has been reflected in key policy commitments over a number of years including: *The Aberdeen Agenda: Commonwealth principles on good practice for local democracy and good governance* (CLGF 2005), The *Cardiff Consensus on Local Economic Development* (CLGF 2011) and the *Munyonyo Statement* (CLGF 2013). Additionally CLGF has worked to ensure that its members are aware of and have been able to participate in the consultations around the SDGs and the potential role for local government in their implementation. CLGF has been successful in regularly securing endorsement for its work by Commonwealth

Heads of Government when they meet at their biennial Commonwealth Heads of Government Meetings (CHOGM) and continues to work with the Commonwealth Secretariat to further strengthen the voice of its members in dialogue around the SDGs, including the commitment for their implementation by "all levels of government".

The Sustainable Development Goals

There are currently 17 draft Sustainable Development Goals (SDGs) with 169 proposed targets and 304 proposed indicators to measure impact (United Nations, 2014a). These will remain draft until the UN General Assembly in September at which it is expected the Goals will be adopted. The discussions around the means of implementation will require further debate and be agreed at a later date.

1. End poverty in all its forms everywhere

2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture

3. Ensure healthy lives and promote well-being for all at all ages

4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

5. Achieve gender equality and empower all women and girls

6. Ensure availability and sustainable management of water and sanitation for all

7. Ensure access to affordable, reliable, sustainable and modern energy for all

8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

10. Reduce inequality within and among countries

11. Make cities and human settlements inclusive, safe, resilient and sustainable

12. Ensure sustainable consumption and production patterns

13. Take urgent action to combat climate change and its impacts

14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development

15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

17. Strengthen the means of implementation and revitalize the global partnership for sustainable development

It is evident that many of the draft SDGs relate directly to local government and local governance, and will require the involvement of local government in their implementation - water, sanitation, food security, sustainable use of resources, investment in infrastructure, economic growth and development all have a local delivery dimension. Similarly those with a strong governance and

democracy focus, including gender equality and empower women and girls, promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels, and the cities and human settlements goal require action not just at the national level but also locally.

In recognition of this, the Global Taskforce and local government partners across the globe have also participated actively in national, regional and international consultations around what localisation of the SDGs will mean for local government. The concept is widely recognised, but the momentum needs to be maintained and it is important that efforts continue to be made to ensure that there are delegations at the General Assembly, and in subsequent negotiations around the means of implementation, which speak positively in favour of ensuring the localisation of the SDGs. This is part of a bigger debate about the role of local government in development and effective multi-level governance; the Busan Partnership for Effective Development, 2011 recognised local government as a partner in development, and the European Commission's Communication on Empowering Local Authorities in partner countries for enhanced governance and more effective development outcomes, emphasises local government's role and seeks to strengthen it to address global development challenges.

Localisation of the SDGs and resources

It is also critical that the debate around localising the SDGs and their implementation at the local level takes into account the importance of ensuring access to the necessary resources and capacity so that local government can deliver effectively. The Board of CLGF highlighted this at their meeting in Abuja, June 2014 (CLGF 2014). This was reflected in the Turin Communiqué on localising the Post-2015 Agenda, October 2014; the outcome of extensive UN country consultations on localising the SDGs.

The message was reinforced through the *Chisinau Outcome Statement on Strengthening Capacities and Building Effective Institutions for the Implementation of the United Nations Post-2015 Development Agenda, 25-26 February 2015* (The World We Want, 2015) which acknowledged the role of local government 'Local authorities and their associations must be empowered through capacity strengthening and enhanced institutional effectiveness to own and achieve development goals, stimulating community involvement and participation in local development strategies' (article 2 viii) and the need to "Stress the importance of establishing suitable financing mechanisms to support the strengthening of capacities and building effective institutions at all levels, including through the localisation of resources alongside localizing the SDGs, and recommend this issue to be considered at the Third International Conference on Financing for Development in July 2015 in Addis Ababa" Article 14

Subsequently and in the recommendations made by the Global Task Force (2015a) on the occasion of the hearings with civil society and the business sector organised by the United Nations General Assembly as part of the preparation of the third International Conference on Financing for Development (FfD3), in New York in May 2015, which emphasised the need for implementation of commitments to fiscal decentralisation; opening up access to own-source revenue and financing instruments at the local level; encouraging access to borrowing and long term investments,

including through PPPs; and enabling local governments to directly access international development funds (Global Taskforce 2015b).

Next steps for the SDGs

The General Assembly in September 2015 is expected to adopt the 17 draft Sustainable Development Goals and to make a political declaration. The Global Taskforce, CLGF and other stakeholders are keen to urge their membership to lobby actively to secure a reference to the role of local government within the declaration. Some countries believe that the outcomes of the third International Conference on Financing for Development, Addis Ababa, Ethiopia 13-16 July 2015 would be sufficient to cover the means of implementation, although other countries would prefer to see a broader document. The current zero draft of the Addis Statement makes some reference to local government (Para 31), but is quite limited and therefore every effort needs to be made to ensure that it is retained.

Local government 2030: achieving the vision

Across the Commonwealth, countries are experimenting with different governance arrangements. There remains a trend towards decentralisation and empowering local people to play a more active role in local planning and decision making through establishment of systems of democratic local government. However, there is some evidence of re-centralisation in the Commonwealth; and commitment to genuine implementation of decentralisation remains a challenge in many countries for a variety of reasons, ranging from lack of political will, weak financial decentralisation, and lack of delivery and management capacity and resources.

Governments and local governments are also striving to become more developmental in their approach, in an effort to reduce inequalities and to lift their populations out of poverty. CLGF's conference in 2013 focused on the role of developmental local government and the role it can play in transforming the lives of citizens by engaging not just in service delivery, but through enabling and supporting economic growth and participatory long term planning and delivery for development. This shift is evident in many Commonwealth countries and will be inextricably linked to the successful localisation of the SDGs.

In an increasingly inter-connected world, with global trade and the impact of natural disasters and climate change making national borders less relevant, local governments are under greater pressure to respond at a local level to challenges and opportunities which they cannot directly control. Better educated local populations, and active civil society organisations have much higher expectations of their local governments, they are also increasingly mobile in the search for jobs and economic opportunity both within their country and across countries, providing greater pressures on the policy-makers and service deliverers to respond to changing and persistent needs on the ground.

The impact of these changes is seen most clearly in the cities across the Commonwealth, including in its many small states. The impact of rapid urbanisation means that 65% of the global population will be living in cities by 2050. The urban population in the Commonwealth currently stands at 38% although levels of urbanisation vary significantly from country to country. The speed of urban growth in small states, and the numerous secondary cities, must not be overlooked. Although their populations are smaller in real terms,

the impact is often even more marked. Rapid urbanisation results in a complex set of democracy, governance and management challenges ranging from poor and unplanned informal settlements, limited infrastructure capacity, lack of housing, poor security and lack of public transport - all key issues which have been encapsulated in SDG 11, which seeks to recognise the unique challenges of urbanisation with a set of dedicated targets to support cities and human settlements.

It is against this backdrop that Commonwealth member states are asking themselves what kind of governments they need to respond effectively to the challenges they will face in 2030, and within that broader conversation at the Conference, CLGF and its members will be debating the kind of local government that is needed, and what changes are required in terms of conceptual thinking, policies, resourcing and implementation capacity, to ensure that local government has the power, capacity and authority to deliver effectively and to play a full role in responding to local needs and priorities, contributing to the delivery of national development plans and in achieving the SDGs through effective implementation at a local level.

Thinkpieces - Local government 2030: achieving the vision

The Conference will focus primarily on three of the draft SDGs, namely Goals 8, 11 and 16 but it should be noted that the principles of localisation relate to all of the goals and the Vision for local government 2030 will reflect that.

CLGF has commissioned two "Thinkpieces" **Local government 2030 achieving the vision – the role of local democracy and good governance and Local government 2030 achieving the vision – the importance of local government in economic development and cities as engines of economic growth.** They are designed not to be an exhaustive review of the current situation in the Commonwealth, but through reflecting on recent experience in Commonwealth countries, to consider some of the key issues which must be addressed to enable local government to play its full role in implementation of the SDGs, to challenge the reader to ask difficult questions about the current capacity and capability of local government, and to encourage a long-term perspective and the bold thinking that will be necessary to develop a Vision for Local Government to 2030.

Both papers place a strong emphasis on the growing importance and impact of rapid urbanisation in the Commonwealth. They recognise that business as usual is not going to be an adequate response if local government is to play its full role in implementing the SDGs. The papers have a number of areas of convergence. They both highlight the importance of fiscal decentralisation and local revenue collection in ensuring effective service delivery and in maintaining local accountability through increased citizen participation and with scrutiny from civil society; they focus on the need for effective local leadership and they note the prerequisite that the successful achievement of the SDGs will place on the need for good multi-level governance, and the importance of cooperation with a cross section of stakeholders, including the private sector, to ensure that local government remains both responsive and effective.

The first paper on **Local government 2030: achieving the vision – the role of local democracy and good governance** builds on the principles set out in the Aberdeen Agenda, and the principle

of subsidiarity. The authors recognise the complexities of modern governance and the importance of clarity between the role of elected leaders in policy making and the officials in service delivery. The authors prioritise the need for improved accountability and transparency of decision making and service delivery and recognise the importance of the democratic mandate of local leaders, but warn against the danger of local service delivery processes being compromised by party politics.

The second, **Local government 2030: achieving the vision – the importance of local government in economic development and cities as engines of economic growth** provides an overview of local economic development as a key mechanism in the delivery of the SDG 8. The paper poses the question as to how local economic development can and should be in the current context, and seeks to look at the challenges and opportunities for local government in supporting local economic development(LED). It highlights the need for current thinking and perceptions within the sector to change to embrace LED as a key process, but also to be mindful of the imperative of getting the basics right as a key part of any strategy to enable LED.

We hope you will find both thinkpieces informative as well as challenging. We look forward to your input to the debate and hope that you will reflect on the specific question that the two papers pose. There will be an opportunity through plenary sessions and working groups to discuss issues in more depth. The Conference outcomes will contribute to the **vision for local government 2030**, which we hope will support our members and partners in meeting the challenge of localising the SDGs.

The role of local democracy and good governance

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1 Introduction

This paper is about local democracy and good governance in the Commonwealth. Since the 1990s, governments across the Commonwealth have embraced a more community-driven approach to local governance through increased decentralisation. Bringing democracy to the local level in the form of decentralisation entails a dynamic reform where formal and informal powers, and responsibilities and accountability, coincide (Dubois & Fattore, 2009). Where decentralisation enhances participation in the form of devolution of decision-making power to formal local institutions, then participation in local government becomes an educative process where the local community learn about democratic norms and practices (Lefebre, 2010). Local democracy does not simply mean the formal participation of citizens, but goes further to include the ways they are able to influence policy outcomes and ensuring services are responding to their needs and aspirations.

There has been a global consultation process around the future UN Sustainable Development Goals (SDGs). This has been made up of national and regional consultations as well as the opportunity to feed in online. This paper seeks to consider the importance of local citizens being engaged in active consultations on framing the SDGs in their locale? It will also consider how, in turn, the SDGs will be taken into account in local planning and service delivery? From localisation of the SDGs to participatory monitoring, from partnership with different stakeholders to moulding higher-level policy to local priorities, local governments must play a significant role if such aspirations are to be realised (Slack, 2014).

In the process of achieving this level of participation and local ownership, there are however, many potential challenges. For example local governance may create 'pseudo-participation' which only empower local elites (Chakrabarti, 2013). In the absence of enabling fiscal decentralisation local leaders can become dependent on upper echelons, resulting in patronage politics, and participation often becomes side-lined. This can lead to a difficult relationship between elected representatives and bureaucrats, when goals and objectives are not shared. The challenge then, is a) localising development goals, and b) ensuring organised local governance and capable governance institutions: where not only people's voices are heard, but the tiers at the grassroots levels can effectively work with other tiers to localise and implement the goals. Indeed, this has much to do with having accountable and inclusive institutions at the local level.

In this context, the relevance of the Aberdeen Agenda: Commonwealth Principles on Good Practice for Local Democracy and Good Governance (CLGF, 2005) are as appropriate today as they were when they were agreed a decade ago. The ability to elect local representatives and the opportunity to participate in local decision-making, issues of accountability, transparency and openness to scrutiny, and partnerships between spheres of the government are matters that are germane even after ten years. All these, as the Aberdeen Agenda argues, should have a common goal: ensuring equitable resource allocation and service delivery. The key to achieve this is 'a well-resourced and capable' local government with commitment from national governments (Amis, 2013).

In discussing the issues of democracy and local governments, and emphasising some of the fundamental questions for future work in this area, this paper is structured in five sections. Following the introduction, section two discusses the challenges of rapid urbanisation and its impact on governance and democracy. In section three, we discuss four issues with regard to local governance and democracy around the Commonwealth: intergovernmental relations, locally-raised revenue, political and bureaucratic leadership, and local participation in decision-making processes. Section four discusses some of the innovations in local governance, and section five highlights key questions to guide the development of a Local Government Vision for 2030. While the paper makes an iterative effort to address issues from across the Commonwealth countries, it must be noted that local government in the Commonwealth covers a very wide range of situations and institutions ranging from primary, secondary and mega-cities, to rural areas, small states and large federal countries, and we attempt to capture this diversity in the paper.

2 The context of new local governments: urbanisation and the changing rural landscape

The Commonwealth is made up of a diverse range of states where political systems vary, and the context of the local government has changed over the past two decades. We see rapid urbanisation, often associated with migration, which has accentuated challenges for local governance with an increase in low income slums and squatter settlements in many cities. Issues of remote services, lack of access to an elected representative or indeed an opportunity to contribute to the local planning process often result from rapid urbanisation, but the increasingly complex governance environment, with many actors, often working in competition must also be taken into account.

One outcome of urbanisation for example has been large scale Urban Development Projects (UDP) becoming the cornerstone of urban regeneration policy, and they can have a significant impact on local governance. Studies on large UDPs located in different cities indicate that such projects can be a double edged sword. On the one side, higher property tax helps to bridge the economic gap for urban local bodies providing new infrastructure and economic opportunities, and leads to better service delivery. However, such projects also tend to increase social disparity and create socio-spatial fragmentation. Also, the increased role of experts needed to manage these complex partnerships and project can lead to a diminishing role of public and other organised groups resulting in a less democratic process (Murat & Murad, 2008).

Acute shortage of urban land is resulting in re-development of urban villages and low income sprawl. Such redevelopment can be a complex process involving the local government, developers and landlords as the three principal actors. While local governments perceive such projects as part of the larger plan of urban development, developers and landlords are primarily attracted by substantial profits. Landlords are hesitant to sell their property in view of the long term increase in revenue generation due to continuous improvement in infrastructure and environment in the vicinity of the urban village (Hao, Sliuzas, & Geertman, 2011). Thus,

intense negotiation and deliberation becomes necessary to enlist support of the majority of landlords so that the trade-off between accepting compensation and foregoing future revenue is skewed towards the former. However, this in turn can lead to escalation of project costs and unaffordable housing for low income groups. Thus, public intervention becomes necessary for safeguarding the interests of such groups.

Similarly there are governance challenges in rural local governments across the Commonwealth, which need to deal with the challenges of limited revenue generation and the structural dysfunctions in planning and implementation. This includes addressing the lack of coordination due to the absence of clear mandates, the lack of harmony between interests, and the lack in some cases of procedural knowledge, which in turn, often makes the power of informal processes overly strong. There is also a dearth of local government theories to address these issues, and there is a clear need to develop more joined-up thinking in addressing local governance concepts (Haque, de Vries, & Reddy, 2008).

Rapidly changing and more complex governance environments have contributed to making local councillors more remote and can result in problems with regard to the limitations of local consultation and coordination across the full range of stakeholders. This is further complicated by growing citizen demands and more complex planning needs.

Taking into account the changing context it is important to reflect further on the challenges facing local government. In the following section, we discuss four key challenges with regard to local governance and democracy across the Commonwealth countries which should be addressed in order to facilitate local government's role in the effective delivery of the SDGs.

3 Challenges faced by local governments in local democracy and governance

The challenges with regard to local governance and democracy that are discussed in this section are: a) coordination and intergovernmental relations, b) fiscal decentralisation, c) political leadership and bureaucratic enforcement; and d) deliberative democracy and participation.

3.1 Organised local governance: ensuring effective intergovernmental relationships

Implementation of the SDGs will require strong and effective partnerships between local, state/provincial and national governments, as well as other actors including civil society and the private sector. Evidence from across the Commonwealth shows that coordinating actions of multiple agencies involved in policy implementation is a common challenge faced by many local governments. Different measures such as reducing the number of agencies, clarifying roles and responsibilities, increasing managerial capabilities (Dollery, Garcea, & LeSage, 2008), improving intergovernmental relations (Geldenhuys, 2008) and re-centralisation in the form of shared services (Dollery, Akimov, & Byrnes, 2009) have been attempted to address the issue of coordination. However, most of these attempts show mixed results.

National associations of local government can play an important role in promoting and facilitating intergovernmental relations. They can enable local government to speak with one strong voice in national policy making, providing a link with the centre, and can also support and build the governance and management capacity of their members to improve local service delivery.

While managerial reforms such as corporatisation and commercialisation have had some impact on improved efficiency, they usually come at the cost of responsiveness and accountability. Similarly, realignment of functions results in simplification of processes but, in some cases, it has contributed to increasing the level of complication (Dollery, Garcea, & LeSage, 2008). Again, structural reforms such as a reduction in the number of hierarchical levels and merger of smaller bodies to create larger multi-purpose bodies have resulted in the emergence of different models of public-public partnerships (Tomkinson, 2007).

Although the creation of multi-purpose bodies can lead to better coordination, it is fraught with the danger of creating public organisations that are too large to be efficient (Dollery, Garcea, & LeSage, 2008). Thus, the problem of coordination still remains as one of the major challenges to be addressed, and should be considered as a priority (IDEA/ CLGF, 2014).

Addressing issues of trust and cooperation

Familiarity and mutual dependency in governments can facilitate trust (Ysa, Sierra, & Esteve, 2014) and create a basis for continued cooperation. Pre-existing cooperation reduces transaction costs of joint action through development of trust enhancing norms and by providing information on the anticipated behaviour of different actors involved (Kwon & Feiock , 2010). Service level agreements can enhance trust if they take care of the core interests of all concerned actors. However, this is time consuming as it can only be achieved through a process of intense bargaining where each actor possesses the power to veto and walk out of the agreement (de Bruijn & Heuvelhof, 2008). With the increased complexity of actors in local governance, the local government officials and elected representatives are present along with officials from the 'line departments', and the process could also involve civil society organisations, and private partners (Chakrabarti, Chattopadhyay, & Nath, 2011). In some cases, there could be issues of cooperation in a nested hierarchy: where the Member of Parliaments and/or traditional leaders might try to influence the local service deliveries.

Empirical studies on rural local government cooperation indicates that the existence of a working relationship, either at interpersonal or at intergovernmental level, is essential for successful collaboration. Any past history of confrontation and mistrust is also likely to act as a barrier to future cooperation (Ruggeri, Gizelis, & Dorussen, 2013). While membership of regional councils does not necessarily lead to greater cooperation, such forums provide the platform for discussing common problems and building relationships towards potential collaborations.

It is clear that:

- Collaboration can be facilitated by creating institutions and forums for regular interaction where local representatives share ideas and develop rapport.

- A step-by-step process starting with 'collaboration in minor activities' leading to 'collaboration in larger projects' is more likely to succeed as experience of working together helps build trust and mutual understanding.

Challenges in access to information

Ensuring timely and accurate informaion about actors posessing resources critical for collaborative action (Agranoff, 2014) as well as about actors who can obstruct goal accomplishment (de Bruijn & Heuvelhof, 2008) is the first step in forging a successful collaborative network. Limited or imperfect information about collaborative partners increases the transaction cost of collaboration (Kwon & Feiock , 2010). Timely and accurate information about potential costs and benefits also facilitates setting a clear demarcation of individual responsibilities. Importance of information sharing in local government collaboration is linked with issues of trust and transaction cost. Existence of a cyclical relationship between trust, information exchange and willingness to relinquish control is well known (Poocharoen & Ting, 2015), and can lead to underlying problems remaining unresolved and can impact future coordination.

Coordination is known to involve a) information sharing, b) resource sharing, and c) joint action. Out of these, information sharing is possibly the easiest and most critical because it is a precondition for the other two (Lecy, Mergel, & Schmitz, 2014). Availability of information is also necessary for synchronising actions of different agencies involved in joint action, particularly in an uncertain environment. Adoption of pacing techniques such as defining milestones and specifying events or timings when certain action becomes due can reduce uncertainty and facilitate coordination (Jones & Lichtenstein, 2008). Studies on rural local government in India (Chakrabarti, 2013) show that availability of key information and coordination on such as a) amount and b) timing of fund allotment by higher tiers of government enables the lower tiers to plan activities in advance. It also helps them to perform better vis-à-vis situations where such information is not available.

Improved coordination between the different levels of government can impact significantly and positively on delivery and can strengthen local governance:

- Clear definition of roles and responsibilities of different actors based on the nature of resources possessed by them is necessary for coordination.

- Creation of trust enhancing institutions such as service level agreements facilitates local government collaboration.

- Adoption of standardised processes with clearly defined milestones and sharing information among stakeholders favours joint action.

Removal of institutional barriers

The existence of strong local institutions should be balanced against the need for flexibility and cooperation. The cost inherent in enforcement of conventional contracts such as service level agreements requires creation of institutions which can manage these effectively. However, they can also be the biggest challenge to collaborative functioning due to difficulties which result in aligning existing rules, procedures and performance metrics with those required for successful collaboration (Cristofoli, Maccio, & Pedrazzi, 2015).

The importance of institutional barriers to collaboration leads to the finding that it is easier to achieve collaboration while establishing a new service vis-à-vis achieving meaningful collaboration in an existing service (O'Leary & Vij, 2012). While this could be achieved through

a convergence around local development as an outcome of reform, Schoburgh's work on Trinidad and Tobago and Jamaica reveals that there might also be a divergence in the approach to achieving local development. In such cases, Schoburgh argues in favour of a cohesive model in addressing development (Schoburgh, 2012).

This leads us to conclude that:

- Arriving at a shared vision of goals and consensus about processes to be adopted is an important first step for joint working.

- Institutionalised rules and processes of collaborating entities at variance with those required for collaborative functioning need to be identified and harmonised so that institutional barriers do not constrain cooperation.

3.2 Locally raised revenue and the politics of governance

Evidence from across the Commonwealth and beyond shows that decentralisation of functions has often not been accompanied with commensurate decentralisation of financial power (Stone, 2015). Although greater decentralisation of taxation leads to increasing electoral accountability of local politicians (Awortwi, 2010), inadequate fiscal decentralisation continues to be one of the most common barriers to local government autonomy (Kroukamp & Leus, 2008), and effective service delivery.

Many small or rural local governments in most Commonwealth countries, for instance, have very little access to own-source of revenue and rely on limited transfers of funds from higher tiers of government. Similarly, a big share of funds available to municipalities is still in the form of central grants, not only in developing but also in most developed countries. Over reliance on bridging the sub-national revenue-expenditure gap through revenue collected elsewhere creates a risk of limited accountability, failure in fiscal policy making and macroeconomic instability. Tanzania is showing a new way, where the district is the main unit in the process of 'development by devolution' system. Here, they prepare their budgets that are financed by both the local and the central governments (The East African, 2013).

The growing realisation of the risks associated with central fund transfers has led to the emergence of Second Generation Fiscal Federalism wherein local governments are given greater autonomy to raise funds from own-sources of revenue to finance their day to day operations (Weingast, 2009). Recent studies of urban local governments show that more autonomous governments spend less per capita on core services and supports the argument that increasing fiscal decentralisation leads to more effective electoral accountability of local politicians (Boetti, Piacenza, & Turati, 2012).

Greater reliance on locally raised revenue also has a strong relationship with the mutual cooperation between different local governments as the possibility of adopting shared services increases (UNDESA, 2008). This is corroborated by studies on local government institutions where financial incentive is found to be the most important reason for adopting shared services (Niehaves & Krause, 2010). Studies exploring the relationship between fiscal health and cooperation show that cities with lower per capita tax revenue are more likely to cooperate (Leroux & Carr, 2007). Even with funds allocated from higher tiers, the effectiveness of disbursement and utilisation is often influenced by the relationship

between the executives of the local governments and the elected representatives (Appiah-Agyekum, Boachie Danquah, & Kojo Sakyi, 2013).

In the context of localisation of the SDGs it is essential to ensure that the necessary resources are also localised to enable local government to deliver effectively. Research shows that local accountability is stronger where the council raises more of its own revenue and similarly the council has more autonomy to priorities how such resources are used in the interests of the local community. This leads us to believe that with the appropriate financial management capacity:

- A greater reliance on own-source revenue and devolution of taxation power is necessary for autonomous functioning of local government.

- Dependence of own source of revenue also leads to greater public scrutiny and higher accountability in public spending.

- Federal grants linked with collaborative functioning can incentivise cooperation.

3.3 The politics of leadership

Political leadership and meta-governance

The importance of local government leaders as key drivers of local democracy, good governance and development should not be overlooked. Their democratic mandate is central to their position as strategists, conveners and brokers this will be important in ensuring that local government can contribute effectively to achieving the SDGs.

In many cases it is more appropriate for local authorities to work together to deliver services, particularly where there are common interests eg through the development of urban rural linkages and value chains, or to gain economies of scale. This will also be the case when the SDGs are agreed. The support of the political leadership is crucial to responsive, reflective and accountable local government and the possibility of successful cooperation is virtually non-existent without it (Walsh, McGregor-Lowndes, & Newton, 2008). The underlying dilemma confronting politicians is whether to give up some degree of authority to achieve regional coordination, especially in the face of popular opposition to the proposal from local constituents (Feiock, 2009). Since political leadership will endorse only those ideas which can be palatable to local constituents, cooperation becomes almost impossible in the case where localities have a history of animosity. The role of the political leadership assumes importance when there are a large number of diverse actors and decisions have to be taken based on incentives and penalties depending on the nature of various actors and the situations concerned. (Meuleman, 2008; Larsson, 2013).

Meta-governance refers to the need of formal public organisations to exercise control over decentralised decision-making bodies. The use of the prefix 'meta', which means over and beyond, in meta-governance is often understood as the governance of governance (Badie, Berg-Scholesser, & Morlino, 2011). A traditional bureaucracy may not be best suited to managing a multi actor network due to the increased need for negotiation and trust (Nyholm & Haveri, 2009). The flexibility inherent in political decision making processes makes political leadership better suited for accommodating and negotiating conflicting goals and objectives (Stoker, 2006). The central role

of politicians is also for imparting democratic legitimacy to local government decisions. However, achieving meta-governance is not easy and requires defined capabilities and involves proper training for personnel (Sansom, 2013). Such capacity building has not happened to the desired extent in many places (Rahman & Singh, 2011). In some places, long periods of not holding elections for local governments, and the absence of councillors has almost paralysed local governance (Tambulasi, 2011).

The importance of political leadership in development suggests that:

- Political leadership is critical to successful local governance and remuneration and recognition should be commensurate with this, and should acknowledge its importance

- Imparting adequate training to political leaders is essential for enhancing their meta-governance capacity.

Politician-bureaucracy relationship

The political executive and local government bureaucracy are two major actors in any policy network. However, depending on circumstances, they can develop either collaborative, adverserial or submissive relationships (Peters, 2007). An adverserial relationship develops when the two compete for power. A collaborative relationship develops when their interests converge. Lack of capacity on the part of local politicians can lead to transfer of effective power to bureaucrats. Finally, prolonged rule by a single party often leads to politicisation of the bureaucracy. In certain cases, bureaucrats and politicians belonging to a particular department develop collaborative relationships among themselves, which can result in adverserial relationship with officials belonging to other departments (ibid).

Recent work on rural local government institutions in India shows that a bureaucracy-politician relationship that is shrouded in mistrust and subject to power struggles can lead to complete breakdown of local government (Guha & Chakrabarti, forthcoming). Existence of mistrust can be linked to the fact that while political leadership is interested in satisfying popular expectations, bureaucrats can potentially be more concerned with cultivating organisational self-interest. Representative bureaucracy, where the bureaucracy reflects the composition of the citizenry, can make bureaucracy more responsive to people's needs and reduce conflict with the political leadership. Similarly, bureaucracy accountable to political leadership can lead to achieving the dual objective of efficiency and democratic accountability (Deleon, 2007).

The complex nature of the politician-bureaucracy relationship and the importance of their harmonious co-existence suggests that:

- While bureaucracy should be accountable to the political leadership, its capacity to function autonomously should be ensured through adequate institutional safeguards.

- Ambiguities in rules and guidelines leading to divergent interpretations by bureaucrats and politicians should be clarified and brought into consonance with the democratic mandate of the political leadersip.

- Increased transparency in the actions of the bureaucracy and political leadership can clarify positions and lead to increased trust.

The role of street level bureaucracy

Street level bureaucracy defines the individuals who carry out and enforce laws and public policies. Street-level bureaucracy is accompanied by the idea that these individuals vary the extents to which they enforce the rules and laws assigned to them. (Lipsky 1977). The role of street level bureaucrats in shaping policy outcomes lies in applying discretion in the face of the gap between policy guidelines and popular expectations (Winter, 2012). Through their interactions with citizens, and utilising discretion, Tummers & Bakers argue that the street level bureaucrats develop a capacity to shape policy 'on the spot' (Tummers & Bakers, 2014). Public service delivery in local governance, then, is not simply the result of the laws, but the everyday decisions of the street level bureaucrats through their interactions with the stakeholders.

There is a growing realisation about the importance of professional judgment by frontline staff. Reviewing research on the role of street-level bureaucrats in Adult Social Care in England shows that proliferation of bureaucratic procedures for ensuring accountability of public funds, and existence of conflicting rules not only necessitates discretion by frontline staff, but it also shows such discretion is supported by tacit approval by higher managerial staff (Kathryn, 2011). Since the existence of a gap between social reality and public policy necessitates application of discretionary power by street-level bureaucrats, there might be situations when such discretion acts against the objectives of the policy. Evaluation studies on implementation of a Community Health Fund show that the unwillingness of frontline staff to apply discretionary power has led to exclusion of marginalised sections of the population from benefiting from the scheme (Kamuzora & Gilson, 2007). Recent studies on a rural employment assurance program show a two-fold role of street level bureaucrats (Guha & Chakrabarti, forthcoming). They are instrumental in compliance with formal rules and the implementation of informal rules framed to make policy implementation more responsive to peoples' needs. They act as the agency through which politicians can be innovative and take charge of policy implementation. This, however, has led to the exclusion of certain sections of the community based on political affiliation.

The proliferation of e-government has made application of discretionary power more difficult and there is a danger of decreasing responsiveness of policy implementation by restricting the scope of arriving at locally negotiated solution to societal problems (De, 2008). Despite such apprehensions, it is seen that procedural manuals of most information and communication technology (ICT) systems are so elaborate that it creates greater possibility of discretion with sufficient choice of 'what to follow' and 'what to ignore' (Shaw, Morris, & Edwards, 2009). In fact, recent work on implementation of a rural medical insurance scheme in India involving end-to-end computerisation shows that frontline bureaucrats continue to play a critical role by enabling marginalised actors to conform to the requirements of the rigid software system (Guha & Chakrabarti, 2015).

The above discussion shows that street level bureaucracy continues to play an important role in increasing responsiveness of policy implementation. In fact, emphasis on improving public service through co-production, argued by Needham almost eight years ago (Needham, 2007) is likely to see an enhanced role of street-level bureaucracy. However, it is necessary to insulate street

level bureaucrats from political bias to prevent exclusion based on political affiliation and ensure bureaucratic accountability. Although the space available to street-level bureaucrats has shrunk considerably due to the advent of e-governance, their role has become all the more important due to their ability to impart human values to rigid software logic.

The critical role of street-level bureaucracy, encouragement of innovation in shaping policy outcomes, and their role in bridging the gap between policy prescription and popular expectations indicate that:

■ Street level bureaucrats (often frontline local council officers) should be empowered to apply discretionary power for making policies responsive to people's needs.

■ Street level bureaucrats should be used as agents for facilitating a dialogue between government and citizens.

■ Inputs from street level bureaucrats should be used for policy formulation.

3.4 Deliberative democracy and responsive governance

Participation and creation of effective channels of public feedback

Participation in policy making is important because absence of participation leads to a disconnection between people's needs and the service provided, non-sustainable policy outcomes and increases the risk of beneficiary groups remaining perennially dependent on external assistance. Interaction between diverse stakeholders is also likely to improve quality and legitimacy of decisions (Saito, 2008). However, participation not only involves contribution in terms of resources and labour but outcomes of participatory processes may reflect the views of the more powerful sections of citizens (Chambers, 2005).

Participation in multi-actor local government networks is even more difficult because a large part of decision making process takes place through informal interactions (de Bruijn & Heuvelhof, 2008; Popering-Verkerk & Buuren, 2015). Moreover, existence of veto power increases the possibility of such decisions ignoring the interests of the less powerful and marginalised actors. Growing involvement of a large number of private or civil society actors can lead to a greater proportion of decisions being taken outside the public view and control of public representatives. Thus, notwithstanding its importance, participation may be difficult to achieve in local government decision making processes. This is in part reflected in ordinary citizens' decreasing interest in traditional political processes. Lack of public participation is not only an issue in developed countries but increasingly also pertains in developing countries. Studies on rural local government in India indicate that dominance of partisan politics (Kundu, 2009) has resulted in an absence of participation by political minorities and those without political views.

The above discussion shows that mere decentralisation of political authority is not sufficient to elicit public participation. Proactive measures need to be taken to facilitate greater public participation in decision making process. State sponsored forums may not be sufficient to elicit participation of marginalised actors because such forums represent existing structures of dominance (Chattopadhyay,

Chakrabarti, & Nath, 2010). Thus, increased communication among stakeholders where everyone can articulate their interests is more effective than town square meetings. Forums dedicated for participation of certain sections of society might also be useful. For example, while earlier forums in Fiji had a focus on national government and getting women into parliament, in 2013, the Fiji Women's Forum (FWF) identified local governance as one of its focus areas. This provided local women with the opportunity to discuss avenues for inclusion of women in decision making processes at the level of local governance (CLGF News, 2012 a). Ghana, in a unique attempt in partnership with the Institute of Local Government Studies (ILGS) and the Local Governance Network has recently launched a project to maximise participation of non-state actors in local governance, especially traditional authorities (GhanaWeb, 2014). Such conscious attempts might be needed elsewhere too. India started women's reservation in local government elections some years ago; now Zambia has chosen the same path (All Africa News, 2014).

Since sharing information and consultation with stakeholders is critical to participation (Halachmi & Greiling, 2013) the use of ICT can provide an alternative platform for enhancing participation. In Manitoba, Canada, for instance, the provincial government is providing new tools for municipalities to facilitate consultation with citizens on amalgamation plans. Municipalities are provided with access to a website with information and resources along with an amalgamation guidebook that outlines all the existing tools to look after local interests (Manitoba Innovation in Municipal ICT, 2013). In the UK, Welsh local authorities have brought in enhanced transparency by making council proceedings more accessible to the public through a process of web-consultation. The website also enables remote attendance of councillors at council meetings (Welsh Government, 2014) enabling greater representation especially from across rural authorities covering large areas. Local government in Scotland too is engaging citizens in online consultation through the Commission of Strengthening Local Democracy (COSLD Scotland, 2014). On another note, local government authorities in New Zealand have decided to try out an e-voting platform for local elections during 2016 (Department of Internal Affairs, NZ, 2014). Initially, this will be available on a trial basis for some local government units.

While the above examples show that e-governance has played a positive role in many local governments, learning how to use new technology can itself become a barrier (Jun, Wang, & Wang, 2014). Moreover, a greater focus on service delivery and information dissemination has prevented e-government projects from acting as a platform for facilitating greater participation (Guha & Chakrabarti, forthcoming). Rapid penetration of internet enabled mobile phones has led to the emergence of social networks which have the potential of emerging as an alternative platform for deliberation and participation (Mervyn, Simon, & Allen, 2014). Experiments with Community Radio, now popular in Ghana and India, might also be important devices to promote local participation in the future (Shukla, 2014; Patil, 2014; Awowi, 2010).

The importance of involving a wide spectrum of stakeholders in decision making processes and the citizens' growing disenchantment with conventional participatory processes leads us the believe that:

- Non-governmental organisations and other civil society actors need to be encouraged to bridge the widening gap between citizens and local government.

- Modern communication technologies and social media platforms should be utilised innovatively for providing the opportunities for participatory decision making.

- Design of e-government projects should take account of the importance of citizens' participation and provide avenues for the same.

Safeguarding against opportunistic behaviour

Absence of adequate safeguards against opportunistic behaviour is identified as one of the potential causes of failure of governments (Schrank & Whitford, 2011). Thus, it is not only essential to have the right incentives for all actors but also to have provision for penalties for violating procedures (Meuleman, 2008). Transparency and accountability mechanisms are one way which can guard against malpractice through increased scrutiny. Penalties can also be an effective deterrent. Although this is not easy to achieve, Malaysia has been able to show us some way. In 2013, the local governments in Malaysia implemented a stiff penalty for public premises with dirty toilets under the National Clean Toilet Action Strategic Plan, which has been a major success (CLGF News, 2012 b).

Inadequate appreciation of political realities (Davies, 2009) results in framing rules and procedures which may not be politically saleable on the ground. For example, recent work on an Indian rural employment guarantee scheme reveals a considerable gap between bureaucratic rules and political action (Guha & Chakrabarti, forthcoming). The different manner in which politicians and bureaucrats conceive of populations, as individual voters or as indistinguishable households, lead to significant barriers in building cooperative bureaucracy-politician relationships. This issue needs to be looked at as part of a wider context of political/bureaucratic culture of a place.

The importance of political will and leadership at the Centre to decentralise, and at the local level to deliver, are significantly influenced by the level of transparency and accountability at all levels, making it necessary to:

- Understand political and electoral pulls at play on political actors and address them in local government processes.

- Create appropriate incentives for all actors to develop policies and put in place programmes that meet both local demands and central objectives

- Establish effective monitoring and supervision mechanism for safeguarding against corrupt and opportunistic behaviour.

- Increase transparency to hold all decision makers accountable through public scrutiny.

Provision of services as per local needs

The difficulty in responding to increasing diversity of a population is one of the major justifications for decentralisation (Saito, 2008). Local governments being closer to the people are better placed in understanding and responding to their needs (Kroukamp & Leus, 2008). Greater emphasis on efficiency has led to the dominance of technocrats, resulting in decisions that bear greater influence on professional interests (Nyholm & Haveri, 2009). Thus, it has become necessary to connect ordinary citizens or community representatives with service providers. However, lack of adequate resources or organisational clout weakens the position of such

citizens' representatives. This is possibly more pronounced in cases of tension between a 'new' system of governance and a 'traditional' system that might have existed (Hassall, Kaitani, Mae, Feue, & Wainikesa, 2011). There is also a real risk of targets which are globally set, nationally adopted and then planned and delivered locally, resulting in the local government becoming more of an agent of the central government rather than responsive to the needs of local people.

Realising the importance of enhancing the capacity of citizens and communities led to the adoption of Local Government Modernisation Agenda in Britain. For achieving meaningful co-governance, it is necessary to support and develop community and citizen's organisations on a long term basis (Somerville & Haines, 2008). ICT can play a significant role in making service provision responsive to local needs and in altering the citizen-service provider relationship (Pina, Torres, & Royo, 2010). The urge for providing services as per local needs has also led to implementation of Customer Relationship Management (CRM) solutions by a growing number of local governments. Although early studies on CRM implementation by British local governments indicate that it is being used mainly for answering citizen's queries and grievance redressal mechanisms (King & Cotterill, 2007), it has the potential to achieve much more. It has been used extensively by private sector firms for analysing customer needs and has the potential for processing large volume of data regarding requirements of different types of citizen.

Correspondingly it is important to recognise the need to build the capacity of local authorities to respond to the increasing demands of local citizens and to be able to communicate effectively the decisions which the council has taken.

This leads us to conclude that:

- Strengthening the capacity of citizens and community representatives on a long term basis is necessary to ensure sustained and effective participation.

- Enabling citizens to communicate their needs through multiple channels of communication is essential.

- Using modern technology tools such as CRM for understanding citizens' needs and designing services and communicating with citizens accordingly could be useful.

Box 1. Case study: Local governments and water politics in India

In rural India, the main obstacle to participation in decision-making regarding water resource management is political interference at various levels. There are attempts to 'capture' projects from within, as well as from outside the local institution. Political interference at various levels in a nested hierarchy of decentralisation can result in participation and decision-making that leads to a highly skewed allocation of water. In this particular case, the villagers have come to look at the local government (known as the Panchayat office) as yet another state government office. This attitude is reflected at various local government meetings where there is a general absence of local people who use the service. Comments such as 'It is all their responsibility to provide water' or 'It is a meeting place for the comrades' are often encountered. Consciousness about rights of participation is minimal ('What do we do there anyway?'). Even though the allocation of water lies entirely with the local government, the participation of service users is minimal. Most feel that voting once every five years is enough participation in the process of local government. As a result, the members confer with a few people close to them, and carry on with their village development. When they occasionally come up with a water development project, their attitude is that of a benefactor, almost as if the support is from their own pockets. The severe water problem in many parts in rural India has forced the small farmers to leave agriculture, but 'public participation' is essentially rhetoric. In reality there is no local input from the small farmers about water allocation. While assessing the achievements of the local government system, the government often highlights the number of shallow pumps that have been installed and the amount of money expended in this process. What is not mentioned is the negligible amount of real involvement the villagers have had in this process of policy implementation. Water allocation, therefore, does not happen properly, and the aspirations of local people fail to get reflected in the policy making process. The capture of the development programmes by the local elites is common. These elites are often big farmers who try to control local governments from outside. The source of the rural power is often seen to be the pattern of land holdings, which gives the landlords the power to steer benefits to themselves. Political corruption in the form of diversion of service to local elites is seen. Powerful local elites have been known to 'capture' local governments, thereby distorting and diverting public programmes regarding water to benefit themselves at the expense of small farmers. Overlaying this is the question of the effectiveness of reserved seats, whether for women or for backward classes. Since some of the representatives come from disadvantaged backgrounds, they often lack capacities in terms of literacy, education and proper exposure. These representatives often do not get exposure to planning skills and concepts so that they were able to plan and develop their mandates.

Regardless of the political party controlling the local government, there is often felt to be a lack of transparency in the work of the gram sabha (the meeting of the constituency) in the villages. The reluctance of the small farmers to raise their voice about water in the gram sabha is strange, because at the same time, they develop a dependency on the Panchayat (local government). Without much capacity for revenue generation at the local level, the local government has to look to the state government for resources, which may be money or irrigation technology etc. The local government has to wait until they receive support from a higher level of government. Thus, although the concept of 'local self-governing' is constitutionally guaranteed, in reality local government is often financially dependent on the state government. The Panchayats have to compete for funds for water development projects. In this particular case political bias in favour of villages where local actors are exceptionally important and/ or influential is evident, and such networks can serve to reinforce patronage (for complete case, see Chakrabarti, 2013).

Addressing partisan politics and exclusion

Being institutions of grassroots democracy, local government institutions are inherently political in nature. While flexibility of the political decision making process is necessary for dealing with diversity of interests and involvement of political officials is necessary for imparting democratic legitimacy to decisions of local governments, involvement of party politics can lead to tension due to the emergence of adversarial relationships (Bogason & Musso, 2006). It is important to maintain a focus on delivery to the whole community once the election for seats is over. For example, recent work in India shows that the presence of an equal number of representatives belonging to ruling and opposition parties resulted in complete stalling of project implementation, as the political leadership became unable to finalise project locations (Abraham, Chakrabarti, Chattopadhyay, & Nath, 2013). Instances of political rivalry leading to denial of service to citizens based on political affiliation can also occur (Bardhan, Mitra, Mookherjee, & Sarkar, 2008, also see Box 1).

Although local government is by its nature political, the potential for the delivery of services to become politicized is clear. It is essential in ensuring that local government is genuinely responsive to local needs that this is mitigated and some potential models include:

- Providing institutionalised mechanisms through which political minorities can voice their problems.
- Explicit provisions for providing non-discriminatory treatment to different sections of the population.
- Providing alternative channels for addressing political bias.

4 Innovations in local governance: experiences from the Commonwealth

Around the Commonwealth, municipalities and rural local governments are constantly trying to innovate to improve service delivery, fiscal decentralisation, intergovernmental co-ordination, and to strengthen the relationships between politicians and their officials.

The city of Vancouver, Canada won the inaugural Guangzhou International Award for Urban Innovation for its Greenest City and housing affordability initiatives in 2012 (City of Vancouver, 2012); Local Government New Zealand and the Institute of Directors are working towards a partnership to strengthen governance where mayors and fellow councillors will be incentivised (New Zealand's Local Government, 2013); or the creation of a collective Municipal Bond Agency in the UK which will cut the cost of borrowing to deliver new infrastructure (Municipal Bonds in UK, 2014).

Melbourne municipality has already adopted a plan to make it a smoke-free city in 2016 (City of Melbourne, 2015), and we see innovations from Uganda under the Strengthening Decentralisation for Sustainability (SDS) programme for improving service delivery by local government through exploring new ideas (Local Government Innovation in Uganda, 2013). A recent review of arm's-length models used in local government in New Zealand has identified them as an alternative way to govern council-controlled organisations providing that there is a) clarity about the local government's purpose and strategic direction, b) clarity about roles, c) a proper human resource management approach in recruiting the right people, and d) Transparent processes and effective relationships (Wellington City Council, 2012; McKinlay, 2013).

Box 2. Case study: Private participation and local governance

The National Health Insurance Policy in India (Rashtriya Swastha Bima Yojna - RSBY) is a novel experiment where the rural poor are covered under medical insurance and provided with cashless hospitalisation facility at registered private hospitals. All beneficiaries are provided with a smart card containing biometric details and can approach any registered hospital for treatment. The hospital verifies their identity using biometric information stored in the smart card and provides them with cashless hospitalisation as per approved package rates. The cost of treatment is debited from the beneficiary's annual insurance limit and an online claim is submitted to the Third Party Administrator (TPA). The TPA settles the hospital's claim after proper verification (http://rsby.gov.in).

While the seamless flow of information through the use of smart card and online claim submissions ensures smooth functioning of the scheme, clear delineation of roles and responsibilities and incentive structures are key success factors in this scheme. The village tier of the local government is responsible for beneficiary identification and mobilising them to register. The district tier of the local government is responsible for registration of hospitals, provision of logistic support for organising registration and payment of medical insurance premiums by users. The medical insurance company, selected through a transparent bidding process, settles claim and appoints the TPA for day to day administration. Most of the approved package rates of treatment are comparable to existing market rates. Moreover, the scheme has created a new class of customers who, under normal circumstances, would not be in a position to approach private hospitals for treatment. Thus, RSBY has ensured better capacity utilisation of existing hospitals.

Although inadequate health-care infrastructure acts as a bottleneck in some districts, it is found to be functioning smoothly others (Guha & Chakrabarti, forthcoming). In spite of some unresolved issues faced by the local governments in logistics, some questions about eligibility to the scheme being offered to people who do not qualify, and question marks over delayed settlement of claims. Hospitals acknowledge increased revenue. The TPA is responsible for administering the scheme, but has no powers to penalise errant hospitals. The district local government therefore is seen to be vested with powers but is apparently reluctant to ensure compliance. The Scheme has the potential of providing a win-win solution to all stakeholders, although some adjustments are required in improving supervision and monitoring mechanisms to prevent misuse (ibid).

For complete case, see (Guha & Chakrabarti, 2015).

A number of innovations are also taking place with regard to participation of private partners. There is evidence that using market instruments such as contracts and incentives can help councils address complex issues such as healthcare and social welfare where activities and outcomes are not amenable to accurate outcome measurement (Atkinson 2005). The involvement of private parties can reduce cost and improve efficiency but can also result in placing large parts of public policy outside the purview of council control because private agencies are not answerable to citizens.

However, there are cases where private participation in local governance have been judiciously used and mechanisms have been established to ensure public accountability (see Box 2).

5 Conclusion: Key issues for a Local Government Vision 2030

What is the role of local government in achieving the proposed UN SDG of promoting peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at the local level?

In this section, we re-iterate the main points highlighted in this paper and emphasise the key recommendations with regard to organised local government, including coordination with private partners, the relationship between elected representatives and officials, local participation in decision-making and fiscal decentralisation.

All these, however, are interrelated. Two key issues that play a crucial role in enabling coordination, and making sure that local government can play a full role in delivery of development targets and specifically the SDGs are (a) resource dependency and (b) harmony of interest.

Local government is in a unique position of being able to draw on a network of partners from across the community to deliver development. It is impossible to see how the SDGs could be implemented without recognition of local government's role. As a community leader, one of the key priorities for local government is to ensure that key actors can come together and agree a shared vision. There are likely to be differences of culture, structure, goals and objectives among organisations and individuals. Trust between the actors may not be present from the beginning. In such cases, it is important to be clear that local governments have transparent and accountable procedures to create agreements, and are prepared to consider compliance for any partner not adhering to agreements/contracts. Implementation of such decisions is not always easy and agreement of milestones can assist in ensuring that objectives can be achieved. The emergence of a shared vision locally may still not be sufficient unless the vision is also agreed upon by the individuals representing higher levels of government, required to work with the local government in question.

Building the capacity of local leaders is essential and its importance should not be overlooked. Strengthening political leadership at the same time as developing a strong administration, with clearly defined roles and functions, to implement decisions and policies are essential prerequisites. As has been seen in the paper it is also important to be both innovative in policy implementation, and to empower officials or "street level bureaucrats" to focus on implementation and achieving results at the local level.

There is definite value in formal and informal forums for regular interaction between different levels of government. In the emerging context it is clear that successful development will require multi-level governance and forums can provide a valuable opportunity for coordination and cooperation. A process starting with 'collaboration in minor activities' leading to 'collaboration in larger projects' is more likely to succeed, and therefore should be one of the goals in local governance. Adoption of standardised processes with clearly defined milestones and sharing information among stakeholders helps to strengthen accountability and community confidence.

Greater reliance on own source of revenue and devolution of taxation power is a necessary condition for autonomy. Indeed studies show that where councils raise more of their own revenue there is a greater incidence of public scrutiny and transparency. Lack of revenue from central government or other source is recognised as a major challenge for effective delivery at the local level and in many cases it can be shown that where functions are decentralised to local government, the corresponding resources are often not. Lack of access to resources will be an impediment to local government's ability to deliver the SDGs

Strengthening the capacity of local governments to work effectively with other local partners such as other local governments, non-governmental organisations, civil society groups or private sector partners will help to ensure that limited resources are used well. One clear advantage of working with NGOs and civil society groups is to increase transparency, so that instances of opportunistic behaviour are easily detected through public scrutiny.

Despite the pressure on local governments to follow the lead of the private sector and develop outsourced service and partnership arrangements, the barriers in terms of culture, differences in priorities and lack of experience in outsourcing are formidable. Partnerships with the private sector by local bodies have been shown to improve organisational efficiency and effectiveness. Public private partnerships can enhance the local government's capacity to develop integrated solutions, facilitate creative and innovative approaches, reduce cost, reduce delivery time and also, in some cases, transfer certain risks to the private partner. While service delivery through such approaches are dependent on several external variables, it is important that local governments across the Commonwealth work to develop models of public-private partnership at the local level. This may require the development of, or access to new skillsets such as legal capacity, contract management, long term financial risk analysis etc. It is not always necessary for these to be available in house and some countries, e.g. South Africa, have established arms-length agencies to provide PPP related advice and skills.

There is some evidence of far-reaching social change in some Commonwealth countries as results of reforms implemented at the local level. This has resulted in the local inhabitants enthusiastically participating in the governance process, and taking part in decision-making. But increasingly the number of active participants is falling. Low rates of participation remain problematic especially given that the evidence suggests that the marginalised, whose lives are most directly affected by decisions of local government, are the least likely to participate in the decision-making process. The problem of low participation is essentially a crisis of governance in situations of high complexity and uncertainty. Citizens must feel that they want to participate and their voices will be heard, and it is incumbent on

local government to ensure that its processes are as transparent and open to scrutiny as possible. Improved communication, possibly also through the use of ICT can help to promote the participation of a wider cross-section of the population, especially young people.

Finally, there is a real risk of targets which are globally set (such as the SDGs), being nationally adopted and delivered locally, resulting in the local government becoming more of an agent of the central government rather than being responsive to the needs of local people. Strengthening capacity of citizens and community representatives on a long term basis to articulate their needs and monitor local service delivery still remains a challenge. It is a necessity to enable citizens to communicate their needs through multiple channels of communication. Modern communication technologies and social media platforms could play a major even transformative role in participatory decision-making.

Similarly the politics of resource allocation can have the same effect. Local governments which rely on central or state government for the bulk of their funding, and generate little revenue at the local level must be accountable for their use of resources to the higher level of government rather than the local community in line with the commitment to 'local self-government'. Genuine fiscal decentralisation, transfer formulas, and guarantees of a percentage of national resources being reserved for local government, such as the 15% contribution to the Common Fund in Ghana are mechanisms which have gone some way to addressing this perennial challenge. It is true that emphasis needs to be given to improving local revenue mobilisation. However localisation of the SDGs will also require greater political will to localise access to the necessary resources.

Innovation leading to new ways of governing at the local level, which will strengthen local development across the Commonwealth; however, good governance is not an end in itself, but a process. The outcomes depend on the way such governance structures are implemented. If there are active citizens around the Commonwealth who can engage with responsive local government we will certainly be able to write a new chapter on a better way of governing at the local level as a means of achieving the SDGs and specifically the realisation of Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build accountable and inclusive institutions at all levels" by 2030.

Local government 2030: achieving the vision

The importance of local government in economic development and cities as engines of economic growth
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1. Introduction

In his synthesis report to the UN General Assembly, Secretary-General Ban Ki-moon argued for the need to *"have meaningful transformations of our economies… for making our patterns of growth more inclusive, sustained and sustainable. People want decent jobs, social protection, robust agricultural systems and rural prosperity, sustainable cities, inclusive and sustainable industrialization, resilient infrastructure and sustainable energy for all. These transformations will also help tackle climate change."* (United National Secretary General, 2014, p.12)

The challenges highlighted in the synthesis report are all challenges faced on a daily basis by local governments across the world, and particularly in the urbanising world. Central to these challenges is Sustainable Development Goal 8 which focuses on "Promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all". Also of particular relevance to local government and the challenge of urbanisation is Goal 11 on making cities and human settlements inclusive, safe, resilient and sustainable.

Local sustainable and inclusive growth however is very different from sustained, inclusive and sustainable growth at the national level. Whether in villages, rural areas, town, secondary cities or large metropolitan complexes, increasing numbers of young, unemployed men and women face continued barriers to full employment. Whilst many have good basic education, they face the reality of a global economic system which increasingly divides the world in two, with concentrations of wealth contrasted with persistent poverty, with full and productive employment contrasted with an increased casualization of workforces and the reality of decent work for all becomes more difficult to realise (Standing, 2014, 1999 and Schmidt, J. D. 2005).

Density and agglomeration are significant factors contributing towards growth and increased productivity. The World Bank notes that 54% of the world's population lives in urban areas and that cities account for some 80% of global GDP World Bank 2015, 2008), with the top 600 urban areas contribute 60% of the world's GDP (McKinsey 2011). Cities are also catalysts for innovation, creativity and smarter production. Energising local economies: local economic development around the Commonwealth, a background paper produced for the CLGF's 2011 conference notes that: *"access to economic opportunities is an essential building block for development and poverty reduction, and energising local communities in all Commonwealth communities."* (CLGF, 2011)

Local governments have an important role to play in economic development, and this is not just limited to their important role of improving basic network infrastructure such as water, sanitation, electricity, solid waste, roads and public transport. However, the challenges are not easy. Firstly, local governments are increasingly realising that they cannot be constrained to think only of local economic development, but must take as their starting point an understanding of economic growth and development globally and nationally in order to develop local opportunities for job creation and poverty reduction.

In examining the role of local government in economic development, this paper considers how local governments are able to respond to the challenges posed by the Sustainable Development Goals, particularly Goals 8 and 11. These will require a shift in thinking away from the 'traditional' approach towards Local Economic Development (LED), one which treats economic development at a local level with an overwhelming project focus and a spatial scale – providing shelter for informal traders, markets for subsistence farmers, and so on – rather than seeing economic development as a systemic local government goal and recognising that urbanisation is producing the centres for growth and leading development as a whole.

Other challenges are to ensure that policy initiatives between and within spheres of government are aligned and not contradictory and that local government has the right leadership and sufficient capacity to undertake the tasks that are required of it. There is a need to focus away from 'ribbon-cutting' projects towards the smaller processes and functions which provide a solid foundation upon which economic development can be built. This will aid in finding a balance between meeting short term needs and long term goals and to find ways in which current actions don't compromise future well being. In all this, the needs of the poorest and least powerful members of our society must be prioritised.

2 Conceptualising and contextualising economic development

The World Bank defines economic development as *"Qualitative change and restructuring in a country's economy in connection with technological and social progress."* (World Bank - DEP, 2004) (p.96). They note that GDP per capita provides an indicator of economic development *"…reflecting an increase in the economic productivity and average material wellbeing of a country's population."* (p.55) Improvements in both economic and social wellbeing, cannot be solely measured by economic indicators such as GDP per capita. Instead measurements must take into account factors such as living conditions, wellbeing, equity and environment. The point here is not to redefine the concept of economic growth, but to stress that economic development is not simply an increasing GDP, but must be seen as an increase in standards of living, as well as an increase in household income (Sen 1999).

To counter economic development being conceptualised only at an international or national level, and through the recognition that local conditions were a key factor in whether economies grew or not, the concept of Local Economic Development (LED) has become important. CLGF (2011a) defines local economic development as *"a process which brings together different partners in a local area to work together and harness local resources for sustainable economic growth* (p.1). Our contention, though, is that whilst local economic development should be about bringing together local partners, it must be about harnessing more than just local resources to ensure sustainable growth.

One of the key aims of local governments is to increase local job opportunities and grow the local tax base. The next section will show that the mechanisms used to achieve this have changed over time and differ considerably between and within regions and countries.

2.1 Waves of economic development strategies

A number of authors differentiate between different 'waves' of policies that have been deployed to increase and encourage economic development (Potter & March Marchese 2008, Bradshaw and Blakely 1999). The 'wave' explanation is less useful as a sequential observation, than it is to examine the various strategies that have been employed to build local economic development and how they have changed over time. Many of these strategies are evident in current use and many local governments employ some or all of the waves either consecutively, none-sequentially or concurrently.

The first wave, popular from the 1930's emphasised business attraction or "smokestack chasing" (Bradshaw and Blakely 1999). Here, the goal was to attract outside firms to a particular area. This focussed on promoting locations to potential industries, who were then given incentives in the form of cheap land, tax rebates or lax environment regulations.

Out of criticism for the failures observed of the first wave being seen as a zero-sum game by drawing business from other areas, and benefiting few rather than many, the second wave in the early 1970's, focussed on retaining and expanding existing firms within a city. Mechanisms used in the second wave, included small business support, focussed loans to businesses and the establishment of enterprise zones.

In the 1990's, the focus changed to the 'third wave' which placed less emphasis on industrial attraction and retention, to looking at clustering, entrepreneurship, public-private partnerships and developing human capital as a means to broaden the base of economic development.

Later in the 1990's, a 'fourth wave' has been identified, with a focus on sustainable local economic development (SLED), which focuses on a far broader set of goals for economic development, including: quality of life, fairness, equity, participation, environmental stewardship and concerns for our future and the precautionary principle.

Also in the 1990's a 'fifth-wave' provided market solutions and regional strategies. Here, the concept of comparative advantage' is highlighted, with the emphasis being on partnerships. (Bradshaw and Blakely 1999)

From the 2000's to the present, local government, has been faced with a new round of challenges, including those brought by globalisation, the global financial crisis, increasing recognition of the impact of climate change as well as migration and urbanisation. These have had significant impacts on local governments which have been forced to find new ways to adapt and survive. With lower levels of economic growth, cities have had lower revenue levels, and often have had their transfers from national government reduced, (Travers, 2012) forcing them to find alternative funding sources and more cost effective ways of operating. This funding crisis has been exacerbated by the need to deal with increased levels of migration and urbanisation. These challenges have compelled local governments to become more innovative in how they approach economic development and have constrained their ability to fund costly projects. Some of these measures will be discussed in the sections below.

2.2 Beyond traditional 'economic development'

An important lesson from the 'wave' explanation of economic development strategies is the understanding that economic development support - if it is to be effective - needs to go well beyond the 'traditional' mechanisms of business support and infrastructure provision although these mechanisms should not be given up, but should be balanced with a broader emphasis on good governance.

In researching common areas of local government intervention in LED, Morgan (2009) finds a high degree of commonality around activities such as providing infrastructure investments, regulatory tools, financial incentives and marketing and promotion strategies. However to implement these or any other economic development strategy, it is necessary to look at the fundamental basics of how local governments are run, how they are managed and funded, how they deal with poverty and how they interact with local communities and businesses. It is also critical to consider how cities and towns are planned and how they are changing, how services are provided and sustained as well as how the local government is adapting to climate change.

In many instances, it is in these areas that have significant factors hindering or impeding the development of the local economy creating a scenario where local government in some areas is doing all it can to build and encourage the economy whilst in others, its inaction, rules, non-responsiveness etc. are limiting the ability of the economy to grow.

2.3 The different contexts of economic development

The different contexts within which local government's economic development role is played out, are important factors in understanding the range of roles that it plays. In large metropolitan conurbations, economic development takes on a very different flavour, compared to secondary cities. At the other end of the spectrum, economic development is no less important in small towns, villages and rural areas. Within each, local government is usually faced with a range of different economic circumstances, the formal, semi-formal and the informal sector. The roles that local government plays in each differ widely and finding a balance between how it supports and provides assistance to each is a difficulty faced by across the sector.

Understanding the various components of economic development, the range of contexts within it occurs and its level of formality are important elements if it is to be measured and evaluated. This understanding and knowledge of local conditions and opportunities is vital to allow local government to play an effective role. Local government must collect and analyse information to allow it to comprehend what the key drivers of the local, regional and national economy are, and understand which areas can and should be strengthened and built upon.

This must happen at levels beyond just the municipal context, because emerging evidence suggests that not only does economic production and distribution come urban system as a whole and not just from the large metropolitan centres, including the many secondary and smaller urban centres but also that the rural and urban sectors are mutually interdependent providing food security and environmental services on the one hand and seasonal work, industrial and service sector inputs on the other. Some

Commonwealth countries such as South Africa and the UK are acknowledging this interdependence through the concept of city regions.

Not all decisions, however can be taken at the local level and to gain impact, it is necessary to have coordination and partnership across different spheres of government so that strategies and policies align and reinforce one another. Coordination between cities is also important in allowing neighbouring cities to share resources, achieve greater clustering benefits and gain economies of scale from infrastructure. Understanding the broader configuration and how a local economy fits into that overall system is the starting point for any economic strategy.

2.4 The informal economy

Informal employment makes up the substantial portion of non agricultural employment in most of the developing world – 82% in Asia; 66% in Sub-Saharan Africa, 65% in East and South East Asia and 51% in Latin America (2014 WIEGO). The African Development Bank have even higher figures, estimating that 90% of workers in Africa have informal jobs. (African Development Bank Group, 2013)

In her paper on the importance of the informal sector for economic development, Hobson (2011) notes that LED outcomes are unlikely to be achieved unless the importance of the informal sector is recognised and its requirements addressed. Whilst in some areas, the sector is increasingly being recognised for its role in providing economic robustness and a source of employment, in others, this is only beginning. Also important is recognising the inseparability of the formal and informal sectors.

Brown, Lyons and Dankoco (2010) provide a compelling argument for why local government should not only recognise but also support the informal economy and expand the 'space' for informality, not just physically, but also politically and in governance. This should be in the form of legally recognising the rights of street traders, understanding their associations and networks, allowing space for the most marginalised of informal workers.

3 Realising the benefits of economic development for all

Clearly, economic development, especially where it is inclusive and includes maginalised and poor sections of the community, has the potential to address many of the common objectives of local government which align with both national and international development goals such as the MDG/SDG's, such as addressing poverty, reducing unemployment, empowering the disadvantaged and marginalised sectors of the community (CLGF, 2011). The difficulty, though, is that in spite of growing GDPs, the world has become more and more divided between the very rich and the rest (Piketty 2014), that employment opportunities have become more casualised and that many more people are vulnerable today than ever before. *"The trend is toward greater insecurity and inequality. Reversing that trend, which is associated with labor* (sic) *flexibility, is the most important labor market and social policy challenge of all"* (Standing 1999, p. 600). In many instances, economic growth has simply not benefited already marginalised groupings, and may have come at their expense. If economic development initiatives are to benefit groups such as women, the youth and especially the poor – they need to be carefully designed and targeted. Some of the mechanisms that have been used to do this are set out below.

A further issue is where the benefits of economic development and growth are mainly felt at a national level, with very little impact – or negative impact – being felt at a local level (such as in the case of mining). Huge capital investments often mean very little to local communities who have to bear the negative externalities associated with such, often spatially and capital extensive, investments. This is likely to be the result of economic activities which are undertaken by national or international companies, who employ very little local labour. In these instances, whilst the national economy may benefit and national government gets some (often disputed) increased tax revenue, local government benefits only marginally. The Bench Marks foundation an independent organisation which monitors corporate performance in South Africa notes that "The benefits of mining are not reaching the workers or the surrounding communities. Lack of employment opportunities for local youth, squalid living conditions, unemployment and growing inequalities contribute to this mess." (Bench Marks Foundation 2012)

Box 1. Key elements of a local economic development process (CLGF 2015)

A strategically planned process organised around the definition of a vision and various objectives and programmes for it to materialise.

- **Focusing on a specific territory,** concerning a well defined geographical zone whose stakeholders get involved in a set of economic actions aimed at building a common future.

- **Being locally owned, designed and delivered,** allowing local and regional government to respond to the needs and vision of local communities within development strategies.

- **Best achieved through partnerships,** both during the design and implementation (bringing together local and regional government, community organisations, private sector, NGOs, professional organisations, etc.)

- **Reinforced by integrated government actions** both vertical & horizontal.

- **Focused on enabling a conducive local business environment for all,** creating and fostering employment across the business spectrum (from large enterprise to SME to the informal sector).

- **Integrated interventions across multiple sectors** taking a holistic approach with a cumulative and mutually re-enforcing effect for all sectors of the local economy.

- **Involves a variety of interventions** including both physical infrastructure development, as well as soft capacity building, and strengthening institutional frameworks and linkages.

- **Prioritises development and retention of local businesses and people,** to build on local and indigenous strengths and opportunities.

- **Projects are delivered by all actors:** public, private and non-governmental.

The benefits of economic development to local government are particularly felt where it results in:

- Benefits to citizens, through increased and sustained levels of local employment – particularly employment of women, youth and marginalised groupings – and employment that pays a decent wage. This also includes improved skills levels and increases in quality of life improved environmental conditions, including health and safety of communities and workers;

- Benefits to local government finances - in most instances this is in the form of increased revenue from rates and utility payments;

- Benefits to other local industries through both forward or backward linkages and building small local enterprises;

- Improved cities and places through integration, and more efficient use, of land uses, improved public spaces and increased place positioning and local brand, which in turn can attracts further development.

Local governments therefore have an important role to play in building and encouraging economic development which minimises the negatives and increases the benefits. Where this can be achieved, it will contribute significantly to meeting the SDGs, improving levels of employment and income to reduce poverty and hunger and improve health. In addition, increased economic development will benefit the financial viability and capacity of local government, leading to increased educational and empowerment programmes, improved infrastructure and service delivery, and if government is able to effectively manage how economic development happens and the extent to which it benefits the broader population it will decrease inequality. (Rodríguez-Pose & Tijmstra, 2008)

3.1 Local revenue and local services

Beyond allowing a local government to deliver on its fundamental goals, economic development can also allow local government to raise its own sources of funding. Own source funding allows local government a greater level of flexibility in how it is spent and is a significantly empowering factor for local government. The financial benefits of economic development for local government are primarily gained through property taxes and utility tariffs.

The use of property rates can be a significant source of own-source funding for local government, but is not without its problems. Citing the example of South Africa, de Visser (2013) notes that these mostly relate to its implementation and he stresses the need for a consistent approach to property valuation, the need for technical expertise to develop rating policies and the general need for skills within local government. Whilst simpler initiatives work better, there is a potential to use property rating to redistribute wealth and to achieve land use planning objectives.

Travers (2012) notes that in the United Kingdom's taxation and public finance are highly centralised with almost all taxation being controlled by the British Chancellor. Only council tax - which represents 1.7% of GDP (2011) – is not set by central government. This figure is far lower than that for other major OECD countries, and Travers notes that in Canada, Germany, Spain and Sweden, taxes totalling over 10% of GDP are determined by local and regional government.

3.2 Funding pressures

Local governments worldwide are facing significant financial pressure, requiring a prioritisation of where expenditure should be focused and cuts in other areas. Mathur (2013) reports how in India, the pressure of rapid urban growth and the need to fund increasing infrastructure requirements, means that Indian municipalities simply

Box 2. The specific challenges facing small states in the Commonwealth

The Commonwealth defines countries with a population of 1.5 million or less as small states, seen as sharing unique development challenges including limited economic diversification, limited capacity, poverty, susceptibility to natural disasters and environmental change, remoteness, isolation and income volatility. Almost half (26/53) of the Commonwealth countries fall into this category and face similar challenges in their development both economically and socially. This includes all eight of the Commonwealth Pacific island states and nine of the Caribbean island States as well as the small island states of Malta, Cyprus, Seychelles, Mauritius, and Maldives and the small states of Belize, Guyana, Swaziland and Brunei Darussalam.

Small states have seen a variety of different drivers for decentralisation, not least to manage the remoteness of many of their communities, to address concern over meeting the MDGs, environmental degradation, the problems of effective planning (land use and also in response to urbanisation), poverty, inequality and marginalisation, social and political instability, and the successful implementation of decentralisation and local development is inevitably affected by their size. Local government in small states suffer from the challenges of proximity and remoteness (too close for example in urban areas where local and regional government is competing with other parts of government, and too remote e.g. when councils are geographically a long way from the centre, sometimes on different islands). They also face familiar challenges of lack of financial resources, technical capacity and implementation capacity whilst at the same time they are facing increased community expectations and in some cases political instability at the centre. In addition, in some countries the relationship between traditional authorities and local government has a major impact on the role of local government.

Climate change and small island states

Rising sea levels and the increasing frequency of destructive weather events are placing significant strains on existing service provision at the local level. The increasing severity of emergency situations, especially in dense urban areas or informal settlements, will test local coordination and adaptive strategies. Climate change is a major challenge across the region, but small island States are especially vulnerable and have already lost significant land mass. Changes in weather patterns and sea currents are impacting local economies, changing agricultural and aquaculture productivity.

do not have sufficient funds to maintain economic growth and improve living standards Expenditure in infrastructure however is a vital part of building economic growth and should be seen as a vital component of an economic development strategy.

In the United Kingdom, Travers (2012) shows that whilst local authorities have had remarkable budgetary stability in the period since 1990 they have achieved this by cutting expenditure in areas that can be considered key to economic development, housing, transport infrastructure, planning and economic development services. This, he notes, is likely to undermine growth.

Budget cuts and funding shortages have forced local governments to become more innovative about its focus areas and funding mechanisms. In Zimbabwe, due to an inability of local government to fund infrastructure all residents of a municipality contributed $1 towards the costs of water piping (City of Bulawayo chief finance officer – interview with authors 2012). In Rwanda as part of the post genocide social contract as well as funding shortages citizens contribute their labour towards building infrastructure, especially

roads (Policy analyst, Rwanda Local Government Association, interview with authors 2012) Here it is also common for communities get together raise funding and build their own roads.

There are a number of opportunities that have been explored to share the costs and benefits of development between government and the private sector. Although many of these are initiated by national government – who often have better capacity and skills to manage complex public private partnership (PPP) or shared funding schemes, there are excellent examples at a local level too (CLGF 2014, CLGF/FSLGA 2014).

4 Roles and responsibilities

Because almost all economic development is dependent on both local, regional and national factors, it requires a high level of co-ordination between and within levels of government and requires a clear delineation of roles and responsibilities. Porter (2000) outlines a range of broad roles that government can play in stimulating and managing the economy.

Box 3. LED partnerships and the central role of local government

Partnerships are at the heart of effective LED and local and regional government should promote these with local and regional actors such as business, local chambers of commerce and trade associations, labour/trade unions, universities/training institutes, traditional authorities, community groups/civil society leaders, etc. All of these potential partners bring key knowledge and potential areas of joint benefit to LED planning and implementation. For example partnerships with local institutions of higher education can increase access to knowledge, expertise, and technical advice, as well as lead to training and skills development programmes that feed workers into local industries. Partnerships/twinning between local and regional governments and with other public sector partners such as fire or health services can leverage economies of scale and promote shared service. Working with parastatals/development boards and sector ministries can allow local development plans to access targeted programme funding.

Public-private partnerships (PPP) are a tool which local and regional government can use mobilise expertise, and/or finance for a determined development project. Central to effective PPPs is ensuring that all partners see the benefit to their organisation and are committed to the full range of agreed outputs over the agreed timeframe. A public-private partnership approach is feasible in many jurisdictions. Local business associations or chambers of commerce can be helpful brokers in ensuring that PPP partners are clear on the scope and extent of responsibilities and commitment, the nature and objectives of the local development initiative, the viability of the initiative, and other details of a long-term partnership.

Effective PPPs recognise the respective expertise of both the local and regional government and the private partner and divide the tasks accordingly. Local and regional government would normally provide the necessary policy and regulatory framework and political buy-in, and may also contribute capital for investment, land or other assets and/or other commitments or in-kind contributions, while the private partner brings financial resources

and expertise in commerce, management, operations, and innovation to run the business/project efficiently. A key element of local and regional governments input to a PPP is the political buy-in. As the representatives of the citizenry they must ensure that the project is responding to local needs and has the support of the community. The local and regional government is also the gate keeper of the project, ensuring that it is socially responsible, environmentally aware, driven by local knowledge and contributing to local human development.

Partnerships with traditional authorities, community groups and civil society leaders, can mobilise volunteers, promote local participation, and public community partnerships. In addition, NGOs and CSOs can support local and regional government to better understand the needs of different marginalised groups such as informal traders or ethnic minorities, and help strengthen delivery as well as accountability and transparency. Partnerships between local and regional governments and with other public sector partners such as fire or health services can help to leverage economies of scale and to promote shared service provision.

Local and regional government needs capacity to be able to plan, coordinate and mobilise resources for LED more effectively. When engaging with the private sector, weak governance and a lack of transparency leaves the local authority and the community open to the possibility of less-favourable terms and conditions, or possibly even corruption. Local and regional government associations, central government and other providers can play a role in developing the leadership, financial and legal capacity at the local level to access existing funding sources and use innovative financing models to support LED (PPPs, special purpose vehicles, joint ventures, municipal bonds, borrowing on the markets where appropriate, and accessing credit). Banks also have an important role to play in supporting LED. Development partners should be encouraged to make resources for LED available directly to local and regional government.

Beginning with the most basic, the four necessary roles are:

1) Create macroeconomic and political stability.

2) Improve capacity – such as through education, physical infrastructure and relevant economic education.

3) Establish and implement the rules and incentives that encourage productivity and growth.

4) Develop and implement a long-term strategic economic action programme – so that business, citizens, government and institutions are working in concert.

Porter (2000) further states that the above are necessary conditions, but might not be sufficient. He notes that a fifth role is for government to facilitate cluster development and upgrading – which will allow for greater innovation and increase productivity.

The issue then, is how local government can be given the correct powers, functions and capacity to allow it to most effectively play its role in economic development?

The Cardiff Consensus (CLGF 2011 see also CLGF 2014) outlines four conditions to enable local governments to play their full role in economic development:

1) **Decentralisation:** Provision of a clear national framework for local economic development through effective fiscal, political and legal decentralisation;

    a) New sources of infrastructure finance – including allowing local govenment greater freedom in charging for infrastructure – eg toll roads

    b) Greater discretion for local government to charge for local services

    c) Give local government greater financial and other autonomy – ensure they are less constrained.

2) **Creating an enabling environment:** allowing business to grow by promoting direct investments, providing core services, convening the private sector and reducing red tape;

3) **Development of local strategies** – including partnerships, knowledge, integrated planning and community consultation

4) **Facilitate access to funding** – through public-private-partnerships (PPPs), special purpose vehicles (SPVs), joint ventures (JVs), municipal bonds and other partnerships.

National governments have an important role to play in creating a suitable over-riding legal frameworks and policies which will govern the broad rules for economic development, and then should empower local government with sufficient human, financial and other resources as well as legal powers so that it is able to act to its greatest ability. Further, national government must ensure that both the framework for economic development as well as the roles and responsibilities are well communicated and understood (CLGF 2011). National governments also have a role to play in incentivising and encouraging local innovation in economic development projects, rather than simply monitoring what are usually zero-sum strategies.

Whereas national government provides the fundamental foundation of legislation, resources and policy, local government is the base, which provides the **supportive and enabling environment** within

which the economy develops and thrives. In addition to creating this environment, they have two other vital roles: that of ensuring that economic development does not only benefit small groups of elites but rather builds a greater degree of **equity** where its benefits are enjoyed by the broad base of the population, in particular marginalised and less powerful groupings. Local governments also have an important role is in ensuring that economic activity and growth does not come at the cost of **environmental** degradation.

The next section outlines some of the mechanisms local governments use to fulfil these roles.

4.1 The role of local government in monitoring and measuring sustainable and inclusive growth

There are, of course, a number of measures of economic development, including GDP, GDP per capita, consumption, occupational structure of the workforce, levels of urbanisation, infrastructure development and social conditions such as life expectancy, literacy and many others. Whilst each is individually important, they do not allow for a clear understanding of the relations of production, distribution and consumption, of the pipelines of support required to build economically successful strategies. They are also relatively crude measures, and often delay a more real time measure of how a local economy is proceeding, or how successful a policy or initiative is. Ammons and Morgan (2011) note that many economic development initiatives are tracked with output measures – meetings attended, contacts made, documents distributed and so on, focusing on "showing that they were trying hard", rather than on how successful they were. However the authors note that there has been a move to report on outcomes, even though local government often only plays a relatively limited role in the factors impacting on the outcomes.

To address this issue, the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda called for a 'data revolution', to strengthen the data and information available to ensure accountability and support decision making. "A true data revolution would draw on existing and new sources of data to fully integrate statistics into decision making, promote open access to, and use of, data and ensure increased support for statistical systems." (United Nations 2013 p. 23-24) This raises some critical constraints: the availability of data and local government's ability to access the data within a reasonable timeframe and cost.

Where local government is responsible for producing data – such as by granting licences or passing building plans – they are in a strong position to collect and evaluate it. Yet surprisingly few local governments do in many parts of the developing world where plan submissions and permissions are not done electronically and trends are not tracked.

Another area where local government is in a good position to access data and track development is in the area of rates collection. However the problem here is that there is often a significant time-lag between the period of economic development and the realisation of increased property rates. Properties are often only evaluated every five years, making it a relatively time-insensitive measure of economic development. A further problem is that many municipalities do not impose property rates. In addition, as noted above, many of the more formal measures do not provide information on the informal economy.

Importantly also, more formal measures of economic development – taxes collected, licences granted or rates paid – are not effective in evaluating or understanding informal economic development. To get a better insight into the level and nature of this informal economy, WIEGO propose the need to improve collection, analysis and dissemination of data on the informal sector. It is the logistics of how this is done though that is the challenge where local government requires local level, disaggregated, real-time, cheap and easy to access data.

5 Good practice in local government's role in economic development

A range of initiatives have been used by all levels of government to stimulate economic development. These include the following:

5.1 Development and implementation of a clear framework

A key factor in creating economic development is an environment which is stable and certain. This requires a clear communication of the rules and regulations and delineation of the roles and responsibilities for all players. There is a need for reliability and rapidity in how decisions are made, funding granted and rules enforced.

"National governments should develop national policy frameworks that provide clarity as to the roles and responsibilities of stakeholders involved in LED, and sets LED in the macro-economic context". (CLGF, 2011)

At a local level whilst there is a need for a LED framework and strategy, economic development issues are not simply the work of one particular department. Successful economic development will require the concerted effort of all aspects of a local government and effort must go into ensuring economic development issues must also be a central component of strategic long term and spatial plans.

5.2 Legislation, policy and regulations

Whilst at national level, issues such as legislation, environmental protection, labour laws, patent protection and rule of law are important in constructing the overall framework for economic development, at a local government level, issues such as noise control, land use policy and by-law enforcement make an important difference to the success or failure of businesses as well as their impact on local amenity.

There is a need for all levels of government to ensure fair, transparent and consistent enforcement of rules. In using regulations local government needs to ensure that the regulations are focused and relevant. They should result in improved environmental quality, productivity and ensure sustainable activity. Regulation design should allow for compliance at minimal cost to the activity, and should not cause businesses to waste unnecessary time or funds, as the impact of this is likely to be greater on smaller businesses. Regulations must be properly, timeously implemented and compliance regularly monitored. It is also essential that regulations are clear and well publicized, including the processes that businesses should undertake to follow them.

5.3 Leadership, approach and communication

Local economic development must be mainstreamed and led from the very top by the mayor and municipal manager in that it becomes an integral component of all local government departments. Each department should report regularly on what it has done to ensure small, medium and micro enterprises (SMMEs) get the largest share of all procurement opportunities, stimulate and create employment, focus on empowering the poor and marginalised, reduce red tape and fast-track initiatives, build partnerships and improve communication. The work must begin with training councillor and administrative leadership in all aspects of LED, from strategy to action plans and projects and then there must be ongoing and collective reporting and monitoring of all such programmes.

Box 4. Case study: The role of the city council in Local Economic Development in Belize City.

Belize City has a population of 57,200 persons. The Belize City Council, led by the Mayor, together with local stakeholders, have developed an LED strategy and work plan, appointed key staff to drive the work forward, and put together a project stakeholder committee to oversee the work on LED. One of the early projects to be taken forward as part of the strategy is the development of the BTL Park on the waterfront. The project is helping the Council to maximise benefits back to the community from its use as a venue for community activities, as a tourist location and as a space to host events. The project was built upon strong Public-Private Partnerships between BTL and the Belize City Council, along with support from the CARILED program, an initiative funded by the Government of Canada through Foreign Affairs, Trade and Development, Canada, and managed by the Federation of Canadian Municipalities (FCM). CLGF together with the Caribbean Association of Local Government Authorities (CALGA) and the Caribbean Forum of Local Government Ministers (CFLGM) are also partners in the CARILED project. CARILED

further partnered with BELTRAIDE / Small Business Development Centre for the training related to the BTL Park initiative.

In addition to the civic pride generated and community and tourist access to an improved space, early evaluations also show that the Council has already seen the creation of 19 new businesses and 51 new jobs from the initiative. Unexpected results in the form of youth tours, aerobics/yoga classes, and a new meeting point for a local charity group for senior citizens are proving that LED initiatives can be both diverse and cross cutting in its reach. An extra $300,000BZD a year is being spent in the city on local procurement and tax revenues to the council have increased. Much of the success of the project is felt to reflect the commitment and leadership of the Mayor who has championed the project throughout, and the fact that LED has been institutionalised in the work of the council. Local vendors have formed a local association and have been brought on board and are regularly consulted. Staff has also been oriented to understand LED.

Sister City initiatives are an example of how local government leadership can play a role in encouraging and strengthening ties between two areas. As part of the twinning arrangement between eThekwini and Leeds, two important initiatives were held – the first was to promote local business exchanges between the two cities whilst promoting small business development and secondly their joint partnership to create centres of procurement excellence and to share experience in that regard.

In Sri Lanka, local leadership intervened in an LED project in the Kurunegala District to assist in a dairy-focused project. After consultation with local dairy representatives, the time taken for dairy businesses to register their businesses was identified as a constraint to development. After intervention the three month registration period was cut to three weeks (CLGF/FSLGA, 2014).

5.4 Institutional strengthening, development agencies and business support

There are some excellent examples of local government providing support to either individuals or organisations to increase their productivity, or develop their businesses. In Sri Lanka as part of the above dairy project local government provides agricultural extension services to farmers in rural service centres which include veterinary services, agrarian services and farmer support (CLGF/FSLGA, 2014).

A wide variety of mechanisms should be used to support business, particularly SMMEs, such as the development and publicising of a transparent regulatory framework, advice centres, innovation centres, incubators or hubs, removing complexity. Through allocating support to small business local government can assist businesses to grow. This can include establishing small business development centres, entrepreneurship training, market information, business incubators, marketing assistance (McFarland & Seeger, 2010).

Importantly, ways must be found to regularly and cost effectively continue to publicise and communicate the success of local businesses. Business needs time to grow and part of that growth is through mutual learnings. In this regard, the capacity of Jamaican local government to play its full role in the areas of research, marketing leadership and innovation were examined in a 2010 study. The study found that in these areas institutional and organisational capacity were unevenly distributed and that the LED environment was insufficiently supportive. The study emphasises the need for high quality leadership to address amongst other issues, a culture of "conservatism and resistance to change" (Schoburgh 2014, p19)

5.5 Interventions in the employment and labour market

There are many ways in which local governments can target employment opportunities, such as creating job centres, vocational training, primary, secondary or tertiary education programmes, targeted employment or training for the unemployed; public transport targeted at getting employees to places of employment, transport subsidies or fare regulation; working with business to identify skills needs – consolidate the wide range of training and skills programmes and give local government a greater role. In most of the above areas, local government does not have sole (or in some cases, any) responsibility, yet, having an in depth knowledge of local needs, commuting patterns and educational levels, put local government in a prime position to engage in partnerships with other spheres of government.

Although child care is often not the responsibility of local governments, where it is inaccessible or unaffordable, women's participation in the economy is negatively affected. Research in the USA by Warner and Liu (2006), using input-output models, showed that child care linkage effects have similar multiplier effects on the economy as agriculture, manufacturing and services. This suggests that child care services should be prioritised in local economic development policies.

5.6 Marketing and promotion

Local Government can play a central role in marketing and promoting the area under their jurisdiction. To achieve this, image making must be focussed, opportunities may be made available for subsidising or participating in fairs, conferences or investment forums, collecting and publicising information on local businesses, developing and disseminating local economic development framework information are but some of the many opportunities available.

The Paradise Beach Seafood Festival in Carriacou, Grenada is a good example of how local and national governments have worked together to boost tourism. The project engaged a range of local actors, providing vendors with training, support and retail space on the beach. (Braithwaite-Izzaak, 2014)

5.7 Locality, land, buildings, land use and planning

Many land, land use, planning and spatial mechanisms have proved to be successful in developing the local economy. These include landbanking (where municipalities buy and hold land in advance of infrastructural improvement or development), identifying suitable locations for economic development, zoning and land

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Box 5. Case study:
Shahpur Village (Bangladesh) – Capitalising on opportunities and responding to community needs

In Shahapur village, the building of roads in the community resulted in a number of water-filled ponds. The local government saw the opportunity in these ponds and established cooperatives of unemployed youth who turned the ponds into fish farms, with the support of the World Bank Local Governance Support Project (LGSP). During the dry season these cooperatives focused on using these same areas to grow drought resistant vegetables. This local production has helped establish a local market for fish and vegetables. Villagers are now able to meet their needs within their community, and not travel long distances to larger market towns, of specific benefit to village women. The local market, known as Lalpur Bazaar has become a bustling commercial area, and LGSP funds were used to construct a market shed, access roads and other supporting infrastructure (World Bank 2010).

use planning, land consolidation and facilitating the more intensive use of land parcels, land disposal and facilitating the disposal of state owned enterprise land; acquiring and upgrading brownfield sites; development of facilities; land exchanges and providing land at subsidised rates or terms. Improved management of, and rationalisation of assets can also play an important role in stimulating economic development, including selling off under-used land.

A large body of economic literature outlines the clear value of agglomeration and clusters and shows that firms in many sectors and industries value proximity to other firms in the same or related sectors. (Gleaser, 2010; Glaeser, Kallal, Scheinkman & Shlefier, 1992; Ciccone & Hall 1996). Donovan and Munro (2013) define agglomeration economies as "a general rubric used to explain several nuanced micro - economic channels through which urban economies of scale might arise, such as labour market pooling and knowledge spill overs." They cite a number of studies which have shown that economic productivity could be positively correlated to employment density (rather then urban size). This is due to labour market accessibility and proximity to the 'knowledge economy'. Mare and Graham (2009) found that a doubling of density, can increase economic productivity by 6 – 7%, other factors being held constant.

Porter (2000) defines a cluster as *"a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities."* He notes that clusters can range in scope from within a city to spanning several states - for example southern Germany and German-speaking Switzerland and that clusters are an important factor in increasing exports and attracting foreign investment. Government's role in cluster development, rather than focus on particular industries or firms, should focus on the building of public or quasi-public goods that will positively impact on a number of businesses. Porter notes that government's early priorities should be on improving and providing infrastructure as well as removing constraints and impediments to innovation, rather than on more traditional spatial targeting approaches of attempting to attract investment to lagging areas.

However a review of spatial targeting strategies in post apartheid South Africa, suggests that generally spatial targeting policies have been implemented at significant costs and over a short space of time, which has limited their effectiveness. (Todes 2013) The Urban Development Zones (UDZs) initiative begun in 2004 were intended to promote urban renewal and economic development in select South African inner cities. The programme allowed for an acceleration in the depreciation allowance on the tax value of new and improved buildings within a defined precinct in the inner city. The results in the larger cities were significant and Demacon (2013) cited by Todes 2013 estimates that the initiative resulted in 65,000 construction jobs and investment of R11bn in the inner city. The foregone tax costs to national government were R917m (8.3%).

Sprawl

As noted above, density has a significant positive impact on economic development. The corollary is that there are clear implications and costs of sprawl, which increases per capita land development costs and increases vehicle travel" (Litman 2015). Sprawl increases the distances that must be traveled to reach activities and reduces the efficiency of walking and public transit, and so increases per capita vehicle travel. It typically increases motor vehicle travel 20-50%, and reduces walking, cycling and public transit use by 40-80%, compared with compact, multi-modal development (Donovan & Munro, 2013). Whilst imposing additional time demands on workers it also reduces accessibility for those without their own vehicles or who cannot access public transport. One study found that sprawl annually costs the US economy over $400 billion dollars in external costs and $625 billion in internal costs and argues that similar impacts can be expected in developing countries (Litman, 2015).

5.8 Infrastructure

One of the most critical roles of local government in building its local economy is in providing, upgrading and maintaining infrastructure to meet the requirements of businesses and industry. This includes providing specialized infrastructure to facilities to deal with, for example, hazardous waste and effluent.

As noted above, investment in transport infrastructure is vital to ensure the efficient and effective movement of people and goods to, from and within the local area. The LGA's 'Local Growth Local Leadership' report in 2012 found was that transport investment is seen as particularly convincing by investors (Travers, 2012).

Ironically, it is also in the failure of government to provide sufficient basic infrastructure and services that has seen the birth of a number of innovative initiatives. In many parts of the developing world, where local government has not been effective in providing water, electricity, waste removal or transport services, the private sector has stepped in to provide them.

Other initiatives happen without the intervention (or approval) of the local government and also play an important role in providing

Box 6. Case study: Lilongwe waste for wealth

Lilongwe's "Waste for Wealth" project is one such example, where waste management is one of the biggest problem facing the city. Because conventional waste collection measures were extremely expensive only a small fraction of the city's population were served. Lilongwe City council in partnership with educational, community and private sector players embarked on an integrated solid waste management project which was to be implemented in two peri-urban areas the city. The project established community-based Waste Management Entrepreneurs that would promote municipal solid waste management as a business. The goals of the project were achieved with communities in the two project areas fully sensitised and adequately trained in good waste management practices. Illegal dump sites were no longer visible in the project areas since waste entrepreneurs were using waste to make compost manure for sale. The numbers of waste entrepreneurs increased from 64 to 94. Money realised from manure sales was close to K1 million by November 3, 2011. A conducive regulatory environment and an institutional arrangement to facilitate city wide sustainable solid management have been created. (UCLG, 2013).

services as well as creating employment. The Zabaleen waste collectors in Cairo began as informal waste collectors, collecting waste, sorting through it, salvaging useful materials and using organic waste to feed animals. However in 2004 the government put out official contracts to formal waste collectors, putting most of the Zabaleen out of work. Some have now formalised their operations and taken on formal contracts (Fahmi, 2005).

A mechanism for supporting small farmers and food producers which has proved successful in many locations is the creation of markets. These are connection points bringing urban and rural places together, providing opportunities for smaller businesses to sell their produce and strengthening value chains. Whilst markets are by no means a new phenomenon, in many countries over the past few decades they have been slowly replaced by supermarket chains – although at the lower end of the market, this replacement has been less noticeable. Markets also provide a vital social space. In Barcelona, residents ranked public markets as the second most valuable public service after libraries (Project for Public Spaces, Undated). The Bouarke Market in Côte d'Ivoire is an example of a market that was developed with the vision of providing local farmers direct access to buyers, allowing them to avoid having to use middlemen.

There are a number of examples of where local government has used its existing resources more efficiently in order to boost economic development, make resources more available and lower its operating costs. Multi-purpose facilities have become common in many areas, with halls being used by schools during the day and for other community purposes at night. Sydney's OPEN Sydney: Future Directions for Sydney at Night is one example of a city looking to expand its economy by looking at its night time economy. Initiatives include encouraging retailers to stay open later, better late-night transport, wifi and a 24-hr library. The strategy also outlines how areas can be better managed to facilitate late night use, and how alcohol sales can be limited to reduce negative impacts (City of Sydney, 2015).

5.9 Financial tools, financing and incentives

At a national level, issues such as monetary policy, trade agreements and taxation regimes are highly significant for how an economy develops. At a local level municipalities have used mechanisms such as reducing or exempting certain areas from local taxes or selling or renting property at reduced rates to attract and retain certain businesses. Some municipalities have also financed or subsidised local businesses or provide grants to assist them or assist businesses to get loans through a facilitatory role (Buccèk, 2004).

Place based incentives such as creating industrial zones, regeneration initiatives and industrial parks are also commonly used, although they should be well researched and done in partnership with local entrepreneurs. The success of South Africa's Urban Development Zones programme has been discussed above. Because local government itself is a major economic player, many municipalities have focused procurement regimes which specify local content or SMME use to broaden participation.

5.10 Monitoring

Whatever the mechanisms used, local government must establish an effective monitoring and support system for economic development. Good information is central to planning. Monitoring economic activity and challenges as well as the full range of social and spatial issues is crucial to enable a municipality to understand the issues it needs to address and to assess how successful its initiatives have been in solving them (World Bank, IFC, MIGA, 2009).

An inner-city market assessment tool has been piloted in Bogota and Johannesburg, which mines data to uncover underserved markets in urban areas and attract investment, broaden retail services, and create jobs. Due to the informality of living conditions and market opportunities in inner-city areas, there has been severe undercounting in population and market potential (World Bank, 2008).

5.11 Business and living environment

Increasingly one finds that business establishes itself in locations, not only due to economic factors such as land, labour and taxation but because of issues such as congestion, security, lifestyle, cultural amenities and activities. Local government can play an active role in shaping places to address these issues, whilst also ensuring that the living conditions of the broader population are improved. In this regard, factors such as crime and the quality of recreational facilities have been found to be greatly influential in attracting and retaining business.

5.12 Broadening participation

Finally, successful strategies are ones that broaden participation. The more entrepreneurs there are, the more transparent are the procedures, and the more that SMMEs benefit, the greater will be the success of economic development at a local level.

6 Key recommendations

Conceptual

One of the key challenges local governments face is to understand what their role should be in economic development. Local government has a vital role to play in creating the space, place and local conditions within which economic activities which lead to improvements in the quality of life of all its citizens, can thrive.

Policy

Because factors impacting on economic development are spread throughout a local government, it cannot simply be the responsibility of one department but should be something that is actively supported and pursued by all facets of a municipality. No amount of encouragement from a municipal economic development department can overcome the constraints that a broader negative attitude to private sector development can cause. Section 5.7 above shows that the negative impacts of urban sprawl can increase costs, decrease productivity and stifle creativity far more than many of the positive impacts of localised economic projects. Carefully targeted and well implemented local government procurement policies can play an important role in building small businesses and supporting the informal sector.

Leadership

The importance of leadership in shaping the attitude and approach to economic development is fundamental. A strong local level leader can play a significant role in meeting all four of the Cardiff Consensus conditions for local economic development: supporting a national decentralisation framework; creating and enabling environment, cutting red tape and ensuring adequate service provision; developing and implementing local economic development strategies and finally, ensuring that sufficient funds are available and that suitable initiatives are undertaken.

Capacity and attitude

Adequate local government capacity, competency and ability to develop, implement and support local economic development strategies is a key element in their success. This requires both the leadership element noted above, as well as managerial ability. There are numerous examples of economic development initiatives that have begun and floundered (or never got off the ground) due to a lack of capacity and commitment from local officials. The accessibility of high level officials and leadership to local businesses is an important factor in ensuring that their problems are addressed. The corollary however is the need to identify and address rent seeking and ensure that economic development benefits the city as a whole and does not happen.

Getting the basics right

There are numerous examples of grand, large scale projects that are built for economic development aims. These include hotels, stadiums, conference centres and even new cities – many of which are done at great costs and whose economic benefit can be debated. Their main shortcoming however is that they give a false sense that economic development issues are being addressed and at the same time a heavy toll on the scarce financial and human resources available within local government. In many instances it is the small initiatives that make more difference than the bigger ones. Any project which provides more political and press value than genuine long term economic benefit should be avoided.

Planning

Good planning is an important tool in accommodating both population and economic growth, as well as providing space for public goods, amenities and services (World Bank, IFC, MIGA, 2009). Strategic plans are a vital component in guiding long term development patterns, creating more sustainable development patterns, lowering long term costs and increasing private sector investment. The goal of the process should be in creating interactions, conversations and in highlighting potential problems, not in creating the plans themselves. Plans without implementation are worthless, and are a common symptom of broader leadership, capacity and institutional problems. Institutionalising a requirement for planning often results in more dusty plans on shelves, rather than implementable plans.

Short term results verses long term planning and sustainability

Local government has an important balancing role to play, stabilising short term needs whilst laying the base for long term strategies, ensuring that the current needs of citizens for employment, safety and security are met, whilst planning for the future to secure those rights for future generations. In many instances, long term planning is compromised by current actions. Political priorities rarely extend beyond one or two terms in office and officials are judged on their annual deliverables. This reinforces the need, as stated above, for strategic leadership with a long-term vision.

Local government also plays a role in mediating the requirements of different communities, between residents and businesses and between different business interests. Too often rent-seeking behaviour or elite-capture initiatives result in economic development only benefitting a small more powerful minority and local government has a vital role to play in identifying and addressing this. There are also situations where local government is faced with difficult choices, sacrificing local amenity for longer term growth, or the environment for employment. These are rarely easy choices.

Understanding and measuring

For local government to play any meaningful role in economic development it requires information and data on both economic status and potential. It also needs information economic activities so that it can monitor and understand increases, decreases or other changes. As noted above, easily available information is often too granular or outdated to allow for a nuanced understanding of local conditions. Municipalities should attempt to identify ways to get information in a cost efficient, useful and usable form.

7 Looking forward to 2030

As the focus begins to shift towards the Sustainable Development Goals for the next 15 years, there is a need to reflect on why the post-millennium commitments have not been fully achieved. Firstly, the lack of support and recognition given to sub-national governments and other actors to build on their strengths has impacted on our ability to meet social, economic and environmental goals. Simple examples are found through recognising that invariably it is at a local level that basic network services such as water, sanitation, housing, roads, transport, electricity, solid waste are delivered. Without these in place, health, safety, welfare and a growing economy will flounder. There is a need to create the conditions under which all actors are brought into the solution-generating structures.

Secondly, there is a need to move beyond discussions on the public-private interface towards understanding that the power of capital, when coupled with effective leadership, operates in government, outside government and in communities. Inclusivity should no longer be something to debate but must become the way in which leaders at a local level work closely together, and work with the different spheres of government.

Thirdly, the power of information systems must be fully realised where there must be more real-time decision-making, using all available information, and building transparent decision-making processes.

Finally, there is a need for strong and solid leadership to build a decision-taking culture and ensure that no opportunity is lost to create employment opportunities.

8 Conclusion

Although responsibility for economic development is often not a statutory local government competence, it is clear from the above that almost all activities of a local government can and do have an impact on economic activity. This paper calls for a re-look at how local government conceptualises economic development and positions itself to play a meaningful and effective role. Economic development is not something that can only reside in a single municipal department, but should be an approach that permeates all local government activities.

Whilst limited finance is often raised as the constraint to local government role in economic development, it is clear that the range of activities that local government can play do not always require significant capital expenditure, and in many cases it is attitudes and processes and not projects that make more difference.

Some of the key questions that this paper raises are as follows:

1. How can local government easily and cheaply access information which allow it to keep up-to-date with local economic development issues and assess its performance?

2. How, in the context of increasing internal regulation and controls, can local government create an environment which allows for innovation and flexibility to support economic development?

3. Similarly, how does local government balance the need to play a role of regulator and protector whilst providing a more enabling and less restrictive environment?

4. Are there guiding tools which can assist local government in balancing short term and often pressing needs and implementing long term strategies?

5. Are there mechanisms which allow us to address the 'term of office' short-sightedness which allow for more stable longer term visions without compromising democratic accountability?

6. How can we identify, understand and address the impediments to implementation of economic development strategies?

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