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Review

Local economic development in sub-Saharan Africa: Defining potential roles for national government

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Policy debates around local economic development (LED) are mainly focussed on the role of sub-national levels of government. Limited attention is given to the appropriate role of central or national government. Nevertheless, an important set of functions can be assumed by national governments in support of LED programming, not least in furnishing a coherent framework and guidelines for local planning affecting business development. The aim of this article is to offer a critical synthesis of international experience, mainly from OECD countries, concerning the roles played by national government in support of organizing LED initiatives. From international experience, twelve different roles can be discerned. In Africa, the most fundamental in energizing LED processes are improving the national business environment, reviewing national regulatory processes that impede local development initiatives, appropriate support for small business development, enhancing coordination across different government departments, and strengthening the competiveness of cities.

Key words: Business development, national government, local economic development, sub-Saharan Africa.

INTRODUCTION

As emphasized by Clark (2008: 107), local economic development "is now fully part of the mainstream apparatus of policy for driving economic performance". The contours of development planning affecting business development have been radically transformed in the context of globalization (Pike et al., 2006; Christensen and van der Ree, 2008; Rodriguez-Pose, 2008a, b). In particular, the importance of local level planning for economic and social development is much enhanced. The International Labour Organization (ILO, 2006: 2) asserts that local economies are affected more than ever before "by policies and processes formed at the supranational level, such as market liberalisation, expanding global production systems and the changing terms of trade". The main body of current LED knowledge is derived particularly from European and Latin American experiences (Van Empel 2008). In Africa, Helmsing and Egziabher (2005:1) consider LED to be "a process in which partnerships between local governments, NGOs, community-based groups and the private sector are established to manage existing resources, to create jobs and stimulate the economy of a well-defined territory".

For other analysts, in the absence of a clearly defined theoretical model, it is contended "LED strategies tend to resort to the basic features of the approach to specify their content" (Rodriguez-Pose, 2001: 8). The ILO distinguishes four core features that characterize LED strategies: (1) participation and social dialogue; (2) a focus on territory; (3) the mobilization of local resources and competitive advantages; and, (4) the imperative for high levels of local ownership and management. These four characteristics are brought together in its particular definition of LED as a "participatory development process that encourages partnership arrangements between the main private and public stakeholders of a defined territory, enabling the joint design and implementation of a common development strategy, by making use of the local resources and competitive advantage in a global context, with the final objective of creating decent jobs and stimulating economic activity" (ILO, 2006: 2).

Certainly, the major emphasis in policy debates and writings on Local Economic Development is about the role of sub-national levels of government in the promotion of LED. Although much less is written about the role of central or national government, there exist an important set of functions that national governments can perform in support of LED programming, not least in providing a framework and guidelines for local planning (Rogerson, 2008). The development of guidelines to local governments has been the prime role of national government in South Africa, the country with the most advanced programme of local planning in Africa (Nel and Rogerson, 2005; Rogerson, 2010). The aim of this article is to offer a critical analysis of international experience concerning the roles played by national government in support of or organizing LED initiatives. Methodologically, an analysis of material was undertaken which focussed largely upon the experience of the OECD group of countries where planning programmes for LED linked to enterprise development are well-established. Although it is cautioned that these policy roles drawn from the experience of the Global North cannot necessarily be replicated in the context of sub-Saharan Africa, none the less, they provide a baseline against which emerging LED experience across Africa can be benchmarked. The discussion unfolds through two uneven sections of discussion. The first clarifies the rationale for the adoption of LED approaches to development planning. The second isolates twelve potential roles for national governments in affording greater leadership, direction and support to LED planning initiatives which might be undertaken by sub-national tiers of government.

WHY LOCAL ECONOMIC DEVELOPMENT?

From a review of international experience, there are several distinct different approaches to LED as well as different entry points for starting a LED process (Pike et al., 2006, 2007). LED processes offer an integrated approach to development rather than a ‘one size fits all’ solution. It is stressed that the core purpose is “to mobilise the local economic potential by bringing innovation to all its growth dimensions which range from infrastructure, to local SMEs and their skills, to attracting foreign direct investment, fostering territorial competitive-ness, strengthening local institutions, better management of the development process and internalising local re-sources” (Rodriguez-Pose, 2008b: 23). Bringing together local governments, the private sector and civil society in a search for the right LED formula “allows the community to build from the ‘inside-out’, capitalizing on local assets rather than from the ‘outside-in’ relying on external interventions” (ILO, 2008: 2).

It is observed that one of the major features of globalisation “is that markets have become more pervasive and are affecting countries simultaneously across the world” (Christensen and van der Ree, 2008: 2). The ILO argues that local economies are currently impacted more than ever before “by policies and processes formed at the supranational level, such as market liberalisation, expanding global production systems and the changing terms of trade” (ILO, 2006: 2). LED “offers a means to counteract, or take advantage of the forces of globalisation by maximising local potentials” (ILO, 2006: 2). Amidst current circumstances of global economic turmoil, localities are compelled to seek out new solutions in support of local competitiveness as well as to create inclusive development (ILO, 2008). For some observers, the key contemporary challenge facing all of LED is “how to make the most of local resources in a way that improves returns from global markets” (Christensen and van der Ree, 2008: 2).

The developmental challenges posed by globalization have precipitated a serious re-thinking of the validity of former approaches to development planning (Pike et al., 2006). The major differences between LED and traditional top-down approaches to development planning are summarized in Table 1 and relate to five domains (Rodriguez-Pose, 2001, 2008a):

1. Whereas in traditional top-down approaches the decision on where to implement development strategies is taken by central government planners and developers, with little or no involvement of local actors, LED practices favour the promotion of development in all territories by using the economic potential and the competitive advantage of every space. The initiative to launch the development strategy is taken locally or with strong local support.
2. As a result of where and how the decisions are taken, traditional policies have been generally designed, managed, and implemented by ministries or central government agencies. The involvement of local actors in LED strategies implies, in contrast, a much greater degree of vertical and horizontal coordination of all the actors involved. Vertical coordination entails the synchronization of local, regional, national and supranational or international institutions. Horizontal coordination comprises local public and private actors concerned with development issues (Table 1).
3. This is the approach to ‘doing’ development. Traditional policies tended to adopt a sectoral approach. The promotion of specific industrial sectors that contribute to generate economic dynamism has been one of the main objectives of these policies. By contrast, LED uses a territorial approach as a means of achieving economic development. The diagnosis of the economic, social, and institutional conditions of every territory and the identification of the local economic potential are the foundations upon which a local development strategy is constructed.
4. Closely allied to the sectoral approach of most traditional development policies is the development of large industrial projects that were expected to promote additional economic activity and generate the networks and value chains needed in order to achieve sustainable development. The problems of this type of practice

Table 1. Main differences between traditional top-down development policies and bottom-up LED approaches.

Traditional development policies	Local economic development
Top-down approach in which decisions about the areas where intervention is needed are taken in the centre	Promotion of development in all territories with the initiative often coming from below
Managed by the central administration	Decentralized, vertical cooperation between different tiers of government and horizontal cooperation between public and private bodies
Sectoral approach to development	Territorial approach to development (locality, *milieu*)
Development of large industrial projects to stimulate other economic activity	Maximising the development potential of each area to stimulate a progressive adjustment of the local economic system to the changing economic environment
Financial support, incentives and subsidies as the main factor for attracting economic activity	Provision of key conditions for the development of economic activity

Source: Adapted after Rodriguez-Pose, 2001.

encouraged LED practitioners to identify and use the economic development potential of each area and to stimulate the progressive adjustment of the local economic system to changing economic conditions (Rodriguez-Pose, 2001).

5. Both approaches are set apart by their way of attracting economic activity. While traditional approaches rely on often national government supported financial support, incentive packages and subsidies in order to attract and maintain economic activity, LED tends often to shun such activities and concentrate on improvement of the basic conditions in the locality for the development and attraction of further economic activity (Rodriguez-Pose, 2001).

In a globalized world, Rodriguez-Pose (2001, 2008a, b) identifies numerous advantages related to the adoption of LED strategies as compared to traditional development programmes. These advantages are economic and social. The key social advantages are that LED strategies empower local societies and generate local dialogue and that LED strategies should assist in making local institutions more transparent and accountable, thus contributing to the development of local civil society. The economic advantages of the approach of LED perhaps are the most significant. First, LED strategies seek to embed economic activity in a territory and make economic activity dependent on the specific economic conditions and comparative advantages of that place; they generate sustainable employment in enterprises more capable to withstand changes in the global economic environment. Second, as a consequence of the involvement of local stakeholders and the rooting of economic activity in a territory, LED strategies can also contribute towards a general improvement in the quality of jobs or in other words, towards the ILO (2008) goal of 'decent work'.

LED planning approaches are distinguished most radically from traditional development approaches in their focus on a defined territory (ILO, 2008; Rodriguez-Pose, 2008a). What links the different approaches together "is the common concern for making local economies robust and creating productive jobs and incomes for local populations and also the recognition that local or regional competitive advantage rests on local interactions, knowledge spillovers and institutional synergies" (Salazar-Xirinachs, 2008: v). Although the activity of LED embodies a clear economic focus, it is not simply about economic growth, instead, it should be targeted at "a sustainable development pattern which accommodates and reconciles economic, social and ecological issues and objectives" (Ruecker and Trah, 2007: 15).

DEFINING APPROPRIATE ROLES FOR NATIONAL GOVERNMENTS

An analysis of international experience discloses an array of differing ways that national governments can intervene and support local economic development initiatives. In total, at least 12 different roles can be identified.

Improve the national business environment

Improving local business environments in order to provide more favourable conditions for 'doing business' by the private sector is one of focal points for LED planning (World Bank, 2004, 2010a). In recent years, "donors and governments in developing and transition countries have been paying growing attention to improving the environment for business as a means of promoting enterprise development and through it, of growing their economies, increasing employment, improving welfare and reducing poverty" (Hindson and Meyer-Stamer, 2007: 1). For Kaufmann et al. (2007: 2), enhancing the business and investment climate "has become an important topic in the international discourse on private sector development".

In the developing world, research into the business environment disclosed that developing countries are challenged by poor public governance, weak infrastructure and policy, and legal frameworks that are inconsistent, unstable and unpredictable (DFID ICEE Team et al., 2004: 10). The simplification of business registration procedures coupled with reform of labour regulations and property titling are highlighted as core elements for creating a conducive business environment especially in sub-Saharan Africa (UNIDO and GTZ, 2008). Reducing regulatory costs and enhancing regulatory efficiency are considered "the most practical and effective means of encouraging enterprise development" (Bannock and Darroll, 2007: 2). Several studies disclose that the development prospects of small, medium and micro enterprise (SMME) are constrained by unfavourable economic governance conditions that can include non-transparent, time-consuming and costly bureaucratic procedures; outdated laws and regulations for business transactions, and a high level of corruption (Kaufmann et al., 2007: 2). In most contexts, the existing business environment is biased towards larger formal enterprises to the disadvantage of small and medium enterprises and "more so, of the very small informal enterprises of the very poor" (Chen, 2005: 2).

Business environment conditions affect firm decisions and performance (Hallward-Driemeier and Aterido, 2007). At the firm level, the business environment directly influences costs of production and at the industry level often relates to market structure and competition. It is argued that the impact of the business environment is experienced more heavily in traded sectors that are not particularly intensive in natural resources (that is, manufacturing or services) rather than in primary production and extractive resource sectors as the "former tend to more intensively require 'inputs' of logistics, infrastructure and regulation" (Eifert et al., 2005: 7). As shown by Hallward-Driemeier and Aterido (2007), the business environment in which firms operate can influence the size distribution of firms. The continent of Africa is described as containing "most of the world's least business-friendly regulatory environments" (Bannock and Darroll, 2007: 3). Generic business climate reforms are viewed as affecting all firms or enterprises and "are thus claimed to induce improvements with broad social outreach" (UNIDO and GTZ, 2008: 2). World Bank research (2010a, b) on business environment reform recommends the pursuit of local reforms for improving the 'local business environment' for private sector development, particularly concerning the need for transparent business regulations. It is argued that "where regulation is burdensome and competition limited, success tends to depend on whom you know rather than on what you can do" (World Bank, 2010b: vii). Nevertheless, with transparent business regulations "opportunities are less likely to be based on personal connections or special privileges and more activity is likely to take place in the formal economy" (World Bank, 2010a: 2).

According to the World Bank (2002), enhancing the investment climate is about better public policy for the private sector, including the required supporting institutions. Critical features of a sound investment climate encompass a sound economic governance system that allows enterprises to pursue productive activity without harassment, respect for contracts and property rights, and reduction in corruption. Other vital elements are a sound financial sector and a stable macro-economic environment. Of equal importance is the making of an infrastructure that facilitates effective operation by the private sector. The quality and quantity of available physical and financial infrastructure, such as power, transport and telecommunications, and banking and finance are key determinants of competitiveness and enterprise profitability. The challenge for national government is thus to enhance by all means possible, the investment climate as an enabling framework for local development activities by sub-national agencies and local governments, a challenge which has been recognized in LED interventions in South Africa (Rogerson and Rogerson, 2011).

Champion place and the understanding of spatial policies

A second potential role for departments or ministries in national government is to function as champions of 'place' and of locality-based development and to enhance understanding of the importance of spatial planning. In the United Kingdom, for example, a central role which is shared between the Department for Communities and Local Government and the Department for Business Enterprises and Regulatory Reform is responsibility for policies having clear spatial objectives as well as for encouraging other departments to recognize the spatial impacts (intended or unintended) of their policies. Put simply, a major responsibility is concern about spatial disparities and the impacts (positive and negative) that place can have both on people and businesses in terms of opportunities. A growing body of research shows that spatial disparities can be efficient and may not even be inequitable from a welfare perspective. Indeed, it must be understood that spatial inequalities are often the spatial manifestation of non-spatial policies or processes. Accordingly, "even if there is a need for government intervention, the appropriate policy response is not necessarily spatial" (Department for Communities and

Local Government, 2007: 34).

It is argued that the introduction of spatial policies can be justified in relation to three basic rationales for intervention, namely efficiency, equity and environment. The experience of the United Kingdom is that an efficiency rationale depends upon identifying either market or government failures in the forces which drive the spatial distribution of economic activity or which interact with the characteristics of places such as to undermine economic performance. The 2009 World Bank World Development Report offers the key message that economic development inevitably will be geographically uneven and that to introduce or continue with policies which are designed to spread out economic activities – spatially or across the national urban system - carries with it the inherent danger that economic growth may be discouraged or arrested (World Bank, 2009). That said, the report asserts "development can still be inclusive, in that even people who start their lives far away from economic opportunity can benefit from the growing concentration of wealth in a few places" (World Bank, 2009: xxi). The Report is highly critical of the heavy focus of policy-makers in searching for 'spatially balanced development', which was a popular goal in several national urban development policies (World Bank, 2009: 73). The essential parameters for achieving inclusive development are spelled out as follows: "With good policies, the concentration of economic activity and the convergence of living standards can happen together. The challenge for governments is to allow – even encourage – "unbalanced" economic growth, and yet ensure inclusive development. They can do this through economic integration – by bringing laggard and leading places closer in economic terms" (World Bank, 2009: 20). It is explained that this integration can most appropriately be undertaken "by unleashing the market forces of agglomeration, migration and specialization, not by fighting and opposing them" (World Bank, 2009: 21).

In line with the World Bank's analysis, in the UK, it is acknowledged that as businesses gain agglomeration effects or external scale economies from clustering together, an uneven spatial distribution is likely to be efficient and that differences in GVA per capita across places do not reflect market failures (Department for Communities and Local Government, 2007: 34). Aspects of market failure which undermine overall economic performance and standards of living can result in either too much concentration of economic activities whereas others undermine efficient agglomeration. For example, people and firms do not take into account the impact of their location decisions on others. It is pointed out firms will not take into account the 'knowledge spillover' benefits of their innovation for nearby firms or the impact they have on congestion. These are 'offsetting externalities' which can mean that cities could be either too big or too small (Department for Communities and Local Government, 2007: 25).

In addition to an efficiency rationale for introducing spatial policies, a second basis is an equity rationale which "depends upon identifying ways in which place is impacting on people's opportunities or outcomes or if people are prevented from taking advantage of opportunities in other places" (Department for Communities and Local Government, 2007: 21). It is critical that national government appreciate that uneven spatial outcomes are not sufficient by themselves to justify government intervention on equity grounds. Indeed, it is argued national government needs to "understand the economic mechanisms that are leading to uneven development and the impact that has on the people who live in those places. Overall, it is considered that "an equity rationale for intervention is appropriate if we can identify evidence that the characteristics of places – as distinct from the characteristics of the people who live there – impact on economic and social outcomes, or if particular groups find it difficult to move in response to changes in the economic viability of their local areas" (Department for Communities and Local Government, 2007: 30).

The final grounds for applying spatial policies are an environmental rationale. This depends upon understanding and identifying the environmental implications of spatial disparities or market failures or equity issues in the development and use of place-specific environmental assets. It is important for national government to strengthen its understanding of the environmental impacts of the distribution of economic activities. Overall, given the complexity of developing spatial policies, it is critical for one national government department to assume a lead role in relation to understanding the spatial economy, spatial disparities and for monitoring spatial policies.

Relax national regulations that unnecessarily impede local economic development programmes

In many countries, there exist a host of regulations introduced by national governments which can reduce the ability of sub-national tiers of governments to conduct, or innovate programmes for local economic development. The argument is made that national governments should conduct an audit of their own regulatory regimes with a view to allowing sub-national governments a greater measure of flexibility in implementing LED programmes. This option is especially important in times of economic recession when limitations exist upon national government support funding for sub-national initiatives for local development. The position is argued that the least national governments can do is not get in the way of creative local economic development strategies. The recommendation is therefore that a performance review be undertaken as a first step towards the relaxation of existing regulations imposed by national government upon the developmental operations and activities of sub-national tiers of government.

Improve Understanding of Local and Sub-national Economies

A critical role for national government in relation to local and regional economies is to assist in improved understanding of local economies. Illustratively, this issue has recently been taken up by the Department for Communities and Local Government and the Department for Business Enterprise and Regulatory Reform in the United Kingdom. Here, it is considered a better understanding of how local economic activity links with the wider economy can lead to the development of more effective economic development policies at sub-regional and local levels. Central government has intervened with the objective of ensuring that "local authorities and their partners develop a sound understanding of local economic conditions to inform existing local strategies and strengthen the economic role of local authorities" (Department for Communities and Local Government and the Department for Business Enterprise and Regulatory Reform, 2008a: 48).

As part of the 2007 review of sub-national economic development and regeneration in the United Kingdom, central government imposed a duty on local authorities in consultation with their partners to carry out an assessment of economic conditions in their local area. The central government believes that this new responsibility for local authorities would add considerable benefit to existing practices, inter alia, providing an improved evidence base for planning; improving understanding of how economic development can support regeneration; analyze the ways in which local areas fit into wider sub-regional and regional markets; and, establishment of a shared evidence base to support sub-regional economic development activities.

The rationale for encouraging such local economic assessments is as follows. It is stated that "a publicly available assessment of the local economy will help public bodies, private and third sector organizations to understand the way in which places impact on firms' productivity and what barriers may be holding back economic growth" (Department for Communities and Local Government and the Department for Business Enterprise and Regulatory Reform, 2008a: 53). Furthermore, a good assessment that helps local authorities understand the way that local economic activities link with the wider economy may function to enable cross-boundary cooperation and working together by different local and regional authorities (Department for Communities and Local Government and the Department for Business Enterprise and Regulatory Reform, 2008a: 57).

Improving local assessments can have additional benefits. Other advantages are that it would "help inform local government and others about what public infrastructure will be required to cope with or catalyze changes in an area's economy" (Department for Communities and Local Government and the Department for Business Enterprise and Regulatory Reform, 2008a: 53). Further, "by ensuring that existing strategies are firmly grounded in an area's economy, the duty will help reduce uncertainty about future public sector activity, thus benefiting the investment decisions of the private sector" (Department for Communities and Local Government and the Department for Business Enterprise and Regulatory Reform, 2008a: 53).

Moderate inter-state and inter-city competition

The application of local incentives, subsidies or tax deductions was an essential element of so-termed 'traditional' local economic development planning (Bradshaw and Blakely 1999; Bartik, 2003). For the USA, Peters and Fischer (2004: 27) record a history of 30 years of provision of business incentives by state and local authorities as "mainstays of economic development policy". Although LED planning approaches have shifted away over the past two decades towards building a knowledge infrastructure base necessary for a competitive local economy, elements of the 'traditional approach' clearly persist. Markusen and Nesse (2007: 4) assert in the USA, "the evidence is fairly strong that incentive competition has increased since the 1960s". In 1995, it was observed that state and local competition in the USA for business expansions and new plants "has grown fierce" (Bartik, 1995).

Considerable controversy surrounds the offers of investment incentives by the sub-national tier of government to attract new inward investment or retain existing investors. In particular, there is debate between two competing viewpoints of analysis (Charlton, 2003; Markusen and Nesse, 2007). On the one hand are the proponents of incentives who subscribe to the 'positive sum hypothesis' and contend either that incentives are the efficient manifestation of competitive markets or the 'second best' form of government intervention designed to achieve legitimate industrial policy objectives (Charlton, 2003). On the other hand, critics of incentives believe competition for investment is simply a 'negative-sum game' which causes a 'race to the bottom' as different jurisdictions 'over-bid' for the right to host particular investors (Charlton, 2003: 13). In addition, competitive bidding is considered as diverting funds away from other necessary LED activities which might yield a higher overall return in terms of economic growth and welfare (Bradshaw and Blakely, 1999; Bartik, 2004). Much negative commentary surrounds the notions of 'investment poaching' or 'beggar thy neighbour' impacts of investment incentives. It is within this context of the dangers associated with 'zero-sum game' dimensions of state and local competition for business as part of LED programming that an important role is identified for national governments, namely to moderate inter-locality competition (Thomas, 2010).

Assume role of effective coordinator

Another critical role that can be assumed by national government for supporting LED is as effective coordinator between different operational policies either of different national departments or different tiers of government (Department for Communities and Local Government, 2007: 35). As the design and implementation of economic development strategies must occur at all spatial scales, there is a critical responsibility for national government to assume a leadership role for coordination across different scales. It is argued, at least from the experience of the United Kingdom, that policy coherence may be hard to achieve when decisions are taken at different spatial levels of government. This creates an imperative for "joined-up" thinking across government in support of LED programmes. Moreover, as policies come together in places "so there is a need to join up and coordinate delivery of different policies in particular places" (Department for Communities and Local Government, 2007: 35).

Overall, in the United Kingdom, it is acknowledged there is a need for "flexibility and co-operation to ensure economic strategies for different levels complement each other" (Department for Communities and Local Government, 2008: 34). The imperative for policy coordination applies with regard to both vertical policy linkages (that is, between lower and higher levels of government) and horizontal linkages (between agencies or levels of government at the same spatial scale) (Department for Communities and Local Government 2008). The recent extended review in the United Kingdom of sub-national economic development and regeneration, published in 2007, asserts firmly that central government must assume responsibility "to support better coordination at all levels" (Department for Communities and Local Government and Department for Business Enterprise and Regulatory Reform, 2008a: 2).

Encourage and support sub-regional cooperation

An essential sub-text of the 2007 United Kingdom review was that national government would act to facilitate and support effective collaboration between local authorities across different functioning economic areas (Department for Communities and Local Government and the Department for Business Enterprise and Regulatory Reform, 2007: 3). The sub-national review conceded that current administrative boundaries rarely captured cohesive functional economic areas. Accordingly, "the need for effective collaboration between local authorities is clear" (Department for Communities and Local Government and Department for Business Enterprise and Regulatory Reform, 2008b: 12).

The relevant national departments in the United Kingdom enacted a number of measures aimed at supporting collaboration between sub-national authorities regarding economic development. In order to strengthen existing collaboration and to foster new partnerships national government legislated the creation of statutory sub-regional authorities known as Economic Improvement Boards, the core purpose of which are "to improve economic development in the area covered and the overall economic conditions of the sub-region" (Department for Communities and Local Government and Department for Business Enterprise and Regulatory Reform, 2008b: 13). Another institutional innovation in order to increase the range of options for collaboration is legislation to encourage multi-area agreements which draw together local areas to focus on those "economic issues which most affect them and to work in collaboration to address real economic challenges" (Department for Communities and Local Government and Department for Business Enterprise and Regulatory Reform, 2008b: 7). Further, the OECD (2006) contends higher levels of government "are central to building metropolitan cooperation" for building competitiveness. National governments are seen as playing a critical leadership role in imposing or encouraging reform in order to create variously merged municipalities within a city region, metropolitan governments or sectoral coordinating bodies.

Direct intervention to provide key economic development inputs in which national government has a comparative advantage over sub-national tiers of government

It is recognised that many inputs for economic development, such as training or business information, are best provided at sub-national or local tiers. By contrast, other inputs for economic development are most appropriately provided by a higher level of government because of economies of scale. From the experience of the USA, for example, Bartik (1994: 16) suggests that federal government can play a valuable role "in providing information on foreign markets and export opportunities". Involvement by national government captures economies of scale as compared to each state doing its own research as federal government has an existing and extensive network of embassies and consulates around the world which can gather information on trade opportunities. It is argued that the federal government should focus on collecting and analysing such information and delivering the information to individual enterprises or sub-national organizations through a network of local organizations. Other areas for Federal government intervention in the USA are identified for expanding the provision of finance to small businesses and for technology support and development (Bartik 1994).

In the United Kingdom, there is a similar argument on a role for national government. It has been argued that in relation to sub-national economic development that there are “benefits of delivering national policies which derive from exploiting economies of scale and scope” (Department for Communities and Local Government, 2007: 35). More especially, it is evident that higher levels of government enjoy cost savings from delivering large volumes of public goods and services or have better access to specialised staff or knowledge of best practice (Department for Communities and Local Government, 2007: 35). Economies of scale occur in circumstances where national government can enjoy lower average costs from delivering large volumes of public goods or services such as in the delivery of “large infrastructure projects or in economic development policies with large upfront costs” (Department for Communities and Local Government, 2008: 33). Furthermore, it is pointed out that “policy development at a higher spatial level can also allow the profile of a particular policy or programme to be raised” (Department for Communities and Local Government, 2008: 33).

By contrast, economies of scope occur when different levels of government can realise cost savings by expanding the number of activities where combining activities reduces overall cost. In some areas of policy development national government may have access to specialised staff which can undertake higher quality policy analysis. In other policy areas, there may be significant risks that separate policies produced by each locality “would create confusion or distort decision-making” (Department for Communities and Local Government, 2008: 34). Finally, it is recognised that economies of scope can accrue with respect to information collection. Overall, it is cautioned that whilst “local officials will often have a much better understanding of local conditions, they may not match that with good understanding of the wider national framework and best practices” (Department for Communities and Local Government, 2008: 34).

Defining an appropriate role for supporting small business development

The international experience reveals that national departments of government which are concerned with economic development must take a leadership role in terms of support programming for small business development. It is apparent from a range of different OECD countries that national departments assume a vital role in defining and leading policy interventions and programming for expanding the role of small businesses in national economic development (OECD, 2006).

The ‘best practice’ for national governments in supporting small enterprise development has been the subject of much controversy and of changes in viewpoint, especially over the past 25 years. From the 1970s, national governments began to subsidize the delivery of SMME support services of various kinds, including credit and of Business Development Services (BDS) such as business and technical training or assistance with identifying and accessing new markets (Dawson, 1997). In particular, enterprise promotion efforts in developing countries were mostly based on the belief that the small entrepreneur was an individual that required continuous subsidisation by governments in the form of free training, ready-made feasibility studies, purpose-built industrial estates, marketing assistance, credit, below-market interest rates and continuous advice. Although large institutions were established to ensure that subsidies went to small entrepreneurs, often these subsidies were captured for the benefit of more powerful groups with the result that only limited benefits actually accrued to the poor (Dawson, 1997). Moreover, the targeted entrepreneurs represented only a small fraction of the total population of entrepreneurs in any country.

Overall, the record of international experience of government-led provision of BDS services is viewed in somewhat negative light. Out of the international disappointments and learning associated with government-led provision of BDS, occurred a ‘paradigm shift’ in BDS support provision. At its heart, the market development approach focuses upon the development of effective markets for private sector providers to offer services in order to help SMMEs upgrade and compete (Bear et al., 2003; Waltring, 2006). This approach to BDS is founded upon the fundamental belief in private sector markets as engines of growth and as efficient suppliers of goods and services. In terms of application, the approach starts by understanding both the existing supply of BDS from the private sector, donor-supported programmes and by government and identifies “market failures” that can result in a gap between the supply and demand for services. Correspondingly, the purpose of market development interventions is to overcome these market failures and take advantage of opportunities to expand the service market for SMMEs (Miehlbradt, 2002). The desired outcome is for a large proportion of SMMEs to buy the BDS of their choice from a wide selection of products offered (primarily) by unsubsidized private sector suppliers in a competitive and evolving market (Miehlbradt and McVay, 2003a, b).

Bear et al. (2003) maintain there is “a widely prevailing misconception” that the new support paradigm is anti-government. For Hitchins (2002: 1), “the view is that publicly-funded development assistance is better used to promote markets for services – markets which ensure that a diversity of appropriate services can be developed and provided to SMEs, driven by their demand and shaped by competition”. Nevertheless, it is stressed that it is incorrect to assume that national government has no role to play in BDS; rather, “the more realistic view is that government almost certainly will have a role, but that this role may differ considerably from conventional roles" (Hitchins, 2002: 1). In the guidelines of the Committee of Donor Agencies for Small Enterprise Development (2001), it is envisaged that national government's core function shifts from direct provider of services to regulator or facilitator of business service markets. As a whole, it is viewed that the core requirements for facilitation are "the capability of undertaking the requisite analysis to identify market constraints and the flexibility to develop interventions to respond to these constraints and engage with a range of possible market players" (Hitchins, 2002: 4). In the final analysis, it is suggested that the approach of BDS market development is pro-government in terms of governments playing a more appropriate role fitting its core competence as provider of public goods. Such roles would vary and should be driven, as it is argued by an understanding of the wider market (Bear et al., 2003). Among suggested roles are activities related to regulation, information, research and standards. A particularly key role for government "is that of guardian of an enabling regulatory and legal framework", without which; no business, large or small, will prosper (Torppa, 2006).

Encourage more and higher quality evaluations of local economic development programmes that are undertaken by sub-national governments

In the USA, it is argued a vital role for national government is to support the development of 'best practice' in sub-national economic development programmes by encouraging more and better quality monitoring or evaluations of existing programmes. This analysis points to a need for improved evaluation methods. In the USA, it is stressed that "we need an evaluation methodology that is relatively cheap and can be used now on an ongoing basis, for state and local economic development programs to improve their performance" (Bartik, 1994: 19). Overall, it is considered that surveys of business clients of economic development programmes offer the most feasible evaluation approach.

Enhance urban competitiveness

New research produced for the OECD affords a valuable synthesis of different options and opportunities for national government and local policy making in relation to building city competitiveness (Friedmann, 2007). A sharp divide exist between two different approaches to urban policy.

The mainstream approach centres on cluster identification and support or the promotion of 'creative cities', 'creative classes' or 'knowledge-intensive' activities (Markusen and Schrock, 2006; Andersson et al., 2011). This approach is premised upon recognizing that in an era of footloose capital looking for high returns, "cities are obliged to do their utmost to attract outside capital from investing in their region lest they fall behind in the game of global competition" (Friedmann, 2007: 81). Cities are considered like firms as having no option other than to compete fiercely as 'entrepreneurial cities' in the global 'sweepstakes' to attract and retain capital. In enhancing competitiveness through cluster support programming, national or local policy makers need to be in a position to identify and subsequently to "map industry clusters, better understand their potentials and obstacles, and design and implement effective development policies" (OECD, 2006: 112).

Once identified, the existing scholarship underlines there are no effective one-size fits all policies and a need exists for 'tailor-made' cluster development approaches. Such approaches, it is urged, require exploration of "the specific characteristics and capacities of individual areas in order to determine what is most likely to build and enhance their competitiveness" and correspondingly the competitiveness of specific cities (OECD, 2006: 115). The classic advantages identified for specialised clusters are that they afford various economies of scale "as well as the production of tacit and unformalized knowledge that flows among those engaged in related activities and in frequent work and social contact with one another (OECD, 2006: 106). Although most public support for clusters is provided by sub-national levels of government rather than by national government, exceptions are to be found in Denmark's coordinated cluster policy for metropolitan areas (OECD, 2006). Friedmann (2007) draws attention to support initiatives from national governments for cities to become global cities attracting headquarters of international corporations, of associated policies that emphasize favourable tax structures, investment incentives, attention attracting architecture, expensive infrastructure and the bidding for hosting mega-events such as the Olympic Games, World Expos or Soccer World Cup. In this approach, urban development and competitiveness is understood largely as a consequence of the attraction of "external inward-bound investment" (Friedmann, 2007: 81).

A second less popular strategy for building competitiveness is premised on the belief "that a better use of scarce resources would be investing in a region's asset base for long-term development" (Friedmann, 2007: 81). This second approach, albeit not opposed to the attraction of in-bound capital, is essentially focussed upon laying a solid foundation for long-lasting development from within (Friedmann, 2007: 81). It is suggested that there are seven "clusters of such assets" which to varying degrees are present in all city-regions and that caring and investing in these assets should be the principal task for local government and with appropriate intervention by national government. It is asserted that "building assets by steadily investing in them will do more for long-term urban and regional development than soliciting investments from global firms" (Friedmann, 2007: 84). The seven assets for improvement relate to: (1) human assets (education, health, adequate housing, adequate mobility); (2) organised civil society which can be a source of strength in terms of everything from local churches, youth groups and sports teams; (3) local heritage of built environment and vibrancy of cultural life, including the development of heritage districts and cultural festivals; (4) intellectual and creative assets which relates to quality of local universities, research institutes, and local creative talent; (5) a city-regions' natural assets in terms of basic resources such as lakes, beaches, forests, parks; (6) environmental assets which are closely related to natural assets but focus upon quality of air and water; and (7) quality of urban infrastructure, which relates to all facilities and equipment in respect of transport, energy, communications, water supply, sewerage and solid waste disposal.

National intervention to support lagging or poor regions

In the context of decentralization, there is an uneven playing field in terms of the capacities of individual states or localities to compete for or attract investment. The political rationale for decentralization focuses on achieving economic and social change. It is contended that decentralization "has been increasingly sold by powerful central elites, as well as a growing raft of nationalist and regionalist groups, as a way to attain greater efficiency and competitiveness and to achieve a better insertion into the globalised economy" (Rodriguez-Pose and Sandall, 2008). In the developing world, several common arguments provide the rationale for decentralization. Critically, in relation to Local Economic Development (LED), a vital advantage of decentralization pertains to "its capacity to mobilize underused resources and in the competition it creates among subnational governments in order to deliver better policies" (Rodriguez-Pose and Ezcurra, 2009: 8-9).

Arguably, a widely recognised consequence of the decentralization of responsibilities to state or local levels of government is reinforcement of geographical inequalities. Indeed, as the process of decentralization undermines the power of the national state to play an equalising role, it can lead to the transfer of economic development from the disadvantaged and poorer regions to the more prosperous (Rodriguez-Pose and Gill, 2003a). For Rodriguez-Pose and Gill (2003a, b), globalisation and the widespread transfer of power downwards from central government to regions and sub-national units is a critical factor in the observed rising levels of spatial inequalities. In particular, these authors powerfully suggest that: "by devolving power it is our contention that the redistributive role of (national) government is compromised, in favour of the operation of the market which, in a spatial context, is likely to be inequitable" (Rodriguez-Pose and Gill, 2003a: 29). One of the major disadvantages and consequences of devolution is thus seen as the linkage to rising levels of inequalities.

Accordingly, as moves towards decentralization are often accompanied by increasing territorial inequalities, there is an important role for national governments to target policy support for economic development towards distressed areas or poorer regions. The international experience suggests this conclusion is particularly pertinent to low and middle-income countries where "the potential positive effects of political decentralization on cohesion will be easily counterbalanced by the unequal capacity of regions in the core and in the periphery of these countries to make the most of decentralized resources, especially in the absence of well-established territorially progressive fiscal systems" (Rodriguez-Pose and Ezcurra, 2009: 35).

CONCLUDING REMARKS

It is apparent globally that the activity of local economic development "has continued to attract considerable governmental support and investment in recent years" (Haughton and Naylor, 2008: 167). Over the past decade, the rising importance of LED for development planning within Africa has been acknowledged and an accompanying new scholarship has crystallised around LED in many countries of sub-Saharan Africa (Helmsing, 2003; Rodriguez-Pose and Tijmstra, 2007; Rogerson and Rogerson, 2010). The contribution made by this article was to re-examine the potential role that national governments can make towards directing and supporting local economic development and associated enterprise development. It is maintained that beyond the simple issuance of 'guidelines' for local economic development plans, national governments can push forward the advancement of LED agendas through a range of different kinds of support interventions. Arguably, among the 12 suggested areas of intervention for national governments, in the environment of sub-Saharan Africa, the most fundamental in energizing LED processes are those of improving the national business environment, reviewing national regulatory processes that impede local development initiatives, appropriate support for small business development, enhancing coordination across different government departments and strengthening the competiveness of cities, which are the major drivers of economic growth across all countries of sub-Saharan Africa. It is hoped that this modest analysis will trigger further discussion about the potential roles of national government in supporting sub-national development processes within different African countries.

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