

Leon Telvizian, Ph.D.

KEY NOTE:

LED in Lebanon: Context and Experiences

- I. Introduction**
- II. The emergence and significance of Local Economic Development (LED)**
- III. The Lebanese economic context**
- IV. The Lebanese LED experiences**
- V. Challenges**

I. Introduction

- The process of globalization is affecting the distribution of economic activity and reshaping territorial structures across the world.
- Traditional national top-down development strategies are struggling to cope in this new environment and has been radically changed by the emergence of subnational political actors and changes in territorial governance.
- Hence a need for an alternative or a complement to traditional development strategies has become more evident

II. The emergence and significance of local economic development strategies

1. Globalization, rising inequalities and the growing importance of Place

➤ The increasing interconnectedness of the world

Globalization has increased the mobility of goods, capital, and labor.

✓ **Goods**

- Trade liberalization and the decline in transportation costs have dramatically increased international trade.
- Localities therefore need to find a way to engage with the increased openness to trade that will allow them to benefit from these developments.

✓ *Capital*

- Not only trade, but also investment has become increasingly footloose.
- Many countries have opened up their markets to foreign direct investment (FDI) as a source of external finance.
- In some territories, FDI is indeed crowding out local investments. In others, FDI is found to have the opposite effect, helping to sustain and grow existing local businesses.
- In low income countries, a second source of external finance that is growing in importance are remittances.

✓ *People*

- In addition to goods and capital, people have also become increasingly mobile.
- Both internal and international migration has risen significantly in recent decades.
- International migration can contribute towards poverty alleviation and socio-economic development through remittances.
- To deal with the challenges posed by internal and international migration, territories will have to devise active strategies to provide their populations with productive employment opportunities and decent living conditions.

➤ Decentralization of governance

- Globalization has been associated with another important change, that of the decentralization of governance.
- Decentralization can have a number of benefits: By bringing government closer to the people, decentralization can enhance the transparency, responsiveness and accountability of government.
- Decentralization can lead to innovation in the way the government provides public goods and services.
- Decentralization offers territories real opportunities to shape their future and deal with the challenges of globalization in a productive way.
- However, in many cases, regional and local governments still lack the de facto powers to make a real difference to the lives of people in their territory.

2. The rise of a new territorial structure

- The combination of globalization, decentralization, and rising inequalities are leaving an important territorial imprint with which many nation-states are struggling to cope.
- This new, more heterogeneous and fragmented territorial structure is characterized by the emergence of three types of spaces with very different development needs and often within the same national framework.

1) Primate cities

- Large urban agglomerations that have not only managed to attract massive rural-urban migration, but also a greater concentration of economic activity.
- These growing urban conurbations – in many cases becoming true megalopolis– attract large numbers of rural and small-town workers seeking to improve their personal conditions.
- However, the other side of the coin in these cities are serious problems of poverty and social exclusion, as well the rise of large slums.

2) Intermediate city-regions

- Medium-sized cities, outside the direct area of influence of the primate city, that often articulate large rural hinterlands.
- These cities are generally growing and attracting population from rural areas.
- But, given their size and frequent endowment deficiencies, they frequently struggle to find market niches and become competitive.

3) Rural areas

- Generally remote, with poor accessibility, and with weaker endowments in human resources and firms, the problems of rural areas differ significantly from those of urban areas.

3. Impacts and Policies

- This emerging more heterogeneous and complex territorial structure is undermining the ability of the nation-state to manage national economies.
- Traditional development policies have normally been normally supply-side strategies, based on a sectoral rather than a territorial dimension.
- Most strategies were based on two axes: Infrastructure and real estate and services

(Continued)

- Development policies thus often relied almost exclusively on the provision of roads, sanitation, and water, at the expense of other policy areas that required intervention.
- While the provision of these public goods is necessary to trigger development, it is not sufficient when other development bottlenecks are not addressed.
- Hence, traditional top-down, supply-side development policies have been, and are still, popular because of their simplicity and popularity, but tend to be unbalanced, and ultimately incapable of delivering sustainable development and decent work.

4. Local and regional economic development (LED) as a complement and an alternative

- This failure of traditional strategies in an increasingly globalized context has triggered a thorough rethinking of how development problems can be addressed.
- As a result, a series of tailor-made approaches for the development of sub-national areas has emerged.
- These approaches, generally grouped under the name of local and regional development or local economic development (LED), highlight the advantages of focusing on the territorial, rather than on the sectoral dimension, and of integrating different development axes in one strategy.
- They also put a greater emphasis on governance structures and institutions in order to achieve greater sustainability and generate not just work, but quality work.

➤ Defining LED

- There is not one standard definition of what LED is, but local economic development approaches tend to have the following characteristics:
 - ✓ It is a territorial-based approach that aims to empower stakeholders to shape the future of the place they live in.
 - ✓ LED is a participatory approach to development. A wide range of local stakeholders work alongside regional and national governments and international organizations in an effort to realize a locality's full economic potential.
 - ✓ Through this focus on participation, LED creates incentives and opportunities for partnership between local private and public sector stakeholders as well as other societal and political groups.

(Continued)

- ✓ LED does not ignore or reject globalization, but rather focuses on new social and economic opportunities that local, national and international markets may provide for its people and enterprises.
- ✓ The LED approach ultimately aims to create sustainable economic development. Through the involvement of a range of stakeholders, it aims to find solutions that will combine the goal of economic development and employment creation with the objective of poverty reduction and maintaining and increasing the quality of locally available jobs.

➤ The local setting and the likelihood of success

✓ *The LED process*

- Successful LED is ultimately about finding local solutions to local issues by bringing together a variety of local stakeholders.
- Public-private partnerships form a key component of any successful LED process.
- Such partnerships include representatives of the government alongside for-profit companies and non-profit organizations.
- By involving numerous societal groups and all types of workers with seemingly contradictory interests in a cooperative decision-making process, successful LED projects encourage association building and create social capital.
- One of the main challenges of LED in any context is to devise a functioning local forum that is able to guide and reinforce the effort at every stage of its development.

➤ *Understanding the local situation and devising a balanced strategy*

- Although every LED strategy will be locally tailored and unique, five types of instruments are most commonly used:
 - ✓ Local Economic Development Agency (LEDA)
 - Through the LEDA the local actors plan and activate, in a shared way, initiatives for territorial economic development, identify the most convenient instruments for their realization and enhance a coherent system for their technical and financial support.

- ✓ Continuing education and learning
 - Human resources are crucial for guaranteeing successful development policies.

- ✓ International partnerships
 - It is very difficult for weak economies to face the challenges of globalization. The initiatives could be about technological and commercial exchanges, agreements between similar or complementary value chains, technical cooperation projects for co-development, strengthening of mutual capabilities, etc.

✓ Territorial value chains

- The risk of crisis for local economies is lower when these are linked to two factors:
 - one is the capacity to share strategies and priorities on which to concentrate scarce available resources – that are themselves based on the enhancement of territorial resources;
 - the second is the capacity to build networks of businesses and business-support services that produce economies of aggregation

✓ Territorial Marketing

- Marketing strategies defines the character of the area (water, sun, culture, historical heritage, agricultural resources, etc) helps qualify the image of that area and helps communicate it to the outside (through advertisements, publicity, public relations, direct marketing and ad hoc events).

III. The Lebanese context :

A. The national economic development

- i. Historically, the Lebanese State has had a predominantly laissez-faire approach in terms of economic policies: very liberal approach where the state is relatively absent.
- ii. During the Chehab era in the 60s:
 - The creation of the ministry of planning then abolished
 - IRFED commission for a balanced national economic development not implemented
 - Ecochard plans not completely implemented

iii. The post-civil war reconstruction (the Hariri model)

- The metropolization and reconstruction model: Beirut as a locomotive of economic development and make it a regional hub and platform for business services.
 - Large urban projects: Solidere, Elyssar, Linor, etc..
 - Infrastructures: Highways, airport, port, etc.
- Crisis of this project as of mid-90s

IV. At present

An unbalanced economy: growing inequalities

- Lebanon in its sub-region: a medium level of development concealing considerable disparities
 - A tertiary and rentier economy
 - A level of human development with strong internal disparities
- Strongly unbalanced but dynamic trade
 - Hypertrophy of the Beirut trade platform
 - Dependence on imports of exchangeable goods

- A production of unsustainable wealth
 - A tertiarized economy and preponderance of non-tradeable goods
 - Agriculture, industry and tourism: under-exploited potential
- Worrying increase in inequality and poverty
 - worrying increase in wealth, general impoverishment and rising indebtedness
 - Tripoli: concentration of inequality and progression of poverty

B. The local economic development

i. The National Physical Master Plan of Lebanese Territory (NPMPLT) – 2009

- The NPMPLT identifies the strength of cities as a main factor behind the general economic performance of the country, thus advocating a structure in which cities play a leading role whereby major agglomerations interact with surrounding villages. The NPMPLT also encourages the integration of all regions into national economic development through:

1. Organizing the distribution of activities with the Central Urban Area,
2. Concentrating the development of various sectors in North and Tripoli,
3. Boosting the profile of the two large metropolises of Zahle-Chtaura and Nabatiyeh,
4. Basing the economic activity of Saida and Byblos on the flow of people and goods,
5. Developing Baalbeck and Tyre based on their heritage, and
6. Diversifying income resources of rural areas.

- However, since the NPMPLT's promulgation, these orientations have lacked supportive implementation policies and budgets at the level of Ministries and local authorities.

II. The return of municipalities

- Growth of municipalities and Union of Municipalities (UoMs) since 1998 – 56 UoMs
- International support for municipalities – Funding and technical support:
 - Development aid
 - Decentralized cooperation
 - Humanitarian aid due to the Syrian crisis
- Diaspora money: remittances

IV. The Lebanese LED experiences

1. CHUD projects: variable success

- In 2003, the World Bank approved the request of the Government of Lebanon to create conditions for increased local economic development and enhanced quality of life in the historic centers of the five main secondary cities: Baalbek, Byblos, Saida, Tyre, and Tripoli. The resulting project, CHUD, aims to preserve cultural assets so as to spur local economic development.

2. UNDP-ART GOLD Lebanon

- The UNDP-ART GOLD Lebanon program, launched in May 2007 and managed by UNDP in collaboration with the CDR, aims to promote balanced and inclusive local economic development through the establishment of four Local Economic Development Agencies (LEDAs). LEDAs are non-profit, self-sustaining economic bodies aimed at contributing to the creation of a territorial added value chain and supporting the relation of small and medium enterprises.

3. UoM of Jezzine

- The UoM of Jezzine is one of the first local authorities in Lebanon that went through the process of developing a strategic plan.
- The objective being a comprehensive and a sustainable development dynamics based on the conservation of built and natural heritage, the control of sprawl, the protection of green areas, and the implementation of projects that would attract tourism, investment and jobs, and institutional development.

- The main concern was to counter the depopulation of the area, especially of the younger generation, through rural exodus and migration.
- This is seen as possibly achievable through a focus on tourism (especially, ecological, rural, archeological and religious tourism), on agriculture and the opening of a large higher education facility.

V. Challenges to LED

- Local authorities such as Municipalities face a number of challenges at this level, such as civil unrest and uncertainty, centralized structures undermining the efficiency of local entities, limited national funding, and a lack of needed human resource capacities. The main challenges:

1. Governance

- **Creating coalitions**
 - Economic actors
 - Political stability

2. Laws & regulations

- **Decentralization law**

- Administrative and institutional
- Boundaries

- **New PPP law**

3. Organizational structure

- Capacity to manage
- To plan
- To finance
- To monitor