


Effective Small Enterprises in the context of Local Economic Development

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Local Economic Development and the informal sector in West Africa

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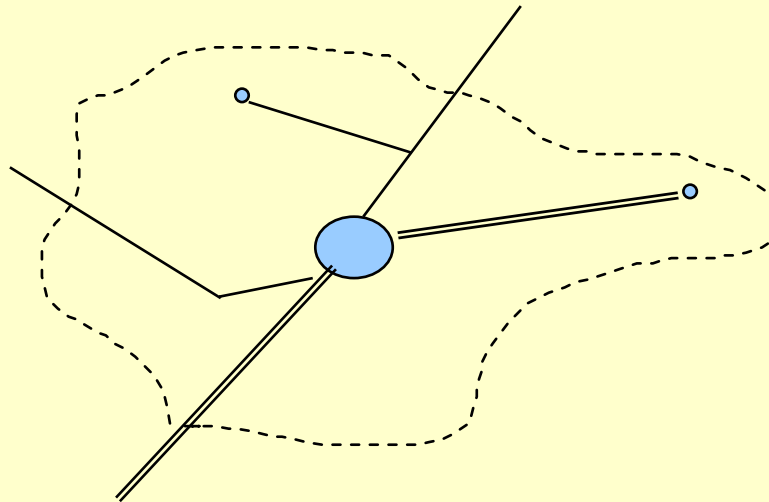
The ECOLOC program addresses a set of problems which were until recently neglected to a certain extent : decentralization of statistical information in order to facilitate negotiation and decision-making at the local level, on the basis of itemized socioeconomic data and a large process of consultation.

The challenges are:

- 1) Revitalizing the high potential sectors of economic activities;*
- 2) Increasing taxation and investments at the local level;*
- 3) Boosting the efficiency of aid and its local impact.*



(IV) A standard case study

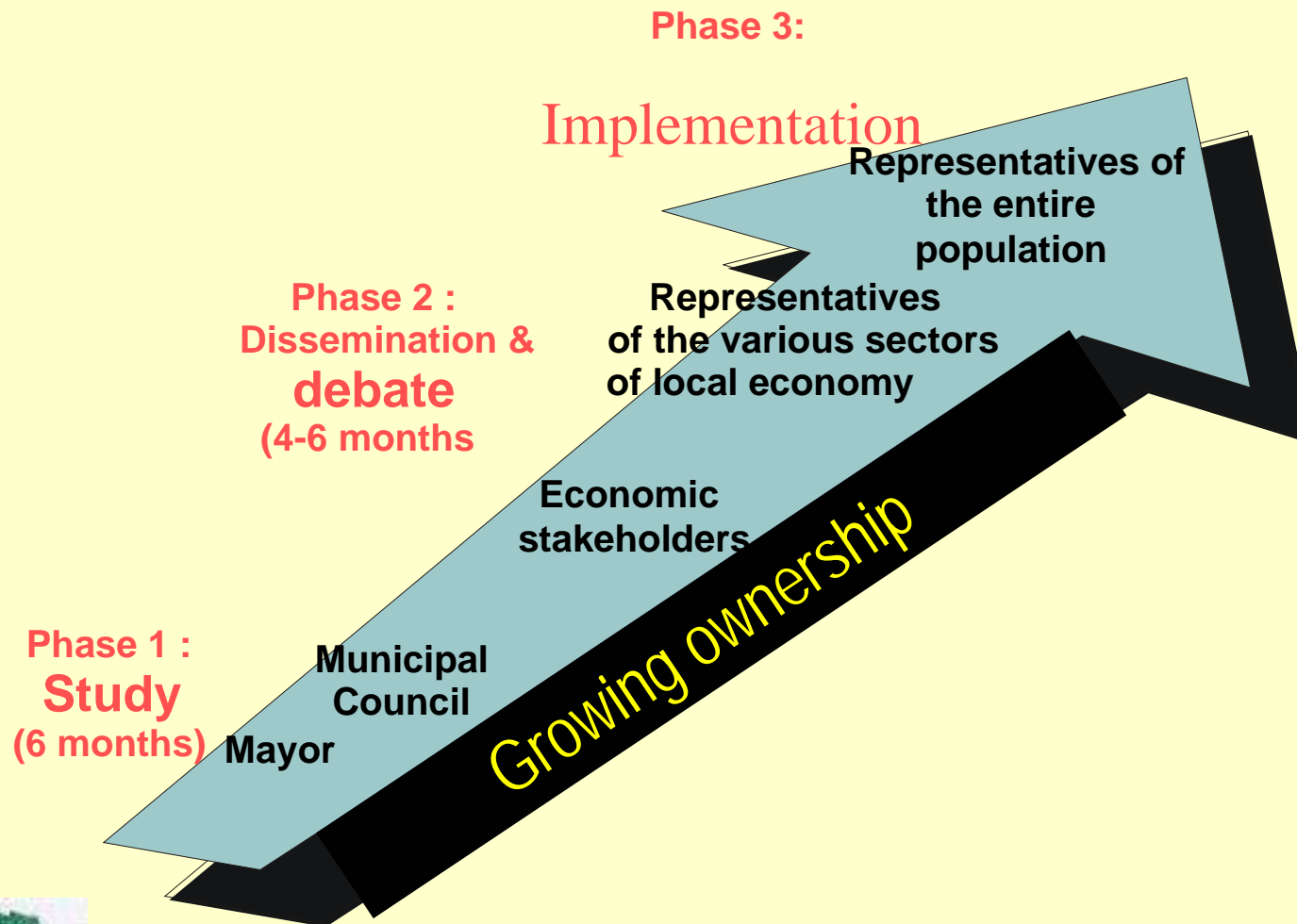


An “economic” approach aiming at the revitalization of local economy

An urban and rural approach that lays emphasis on the interactions between the urban and rural areas



The stages of the ECOLOC process



Phase 1 : Quantification local economy

An association of :

❑ **A «macro » approach** consisting in building a model of local economy with the help of accounting frameworks and econometric/ macro-economic models. The general and provisional indications which are thus produced are based on only a deconcentration, with the help of elementary criteria and national aggregates;

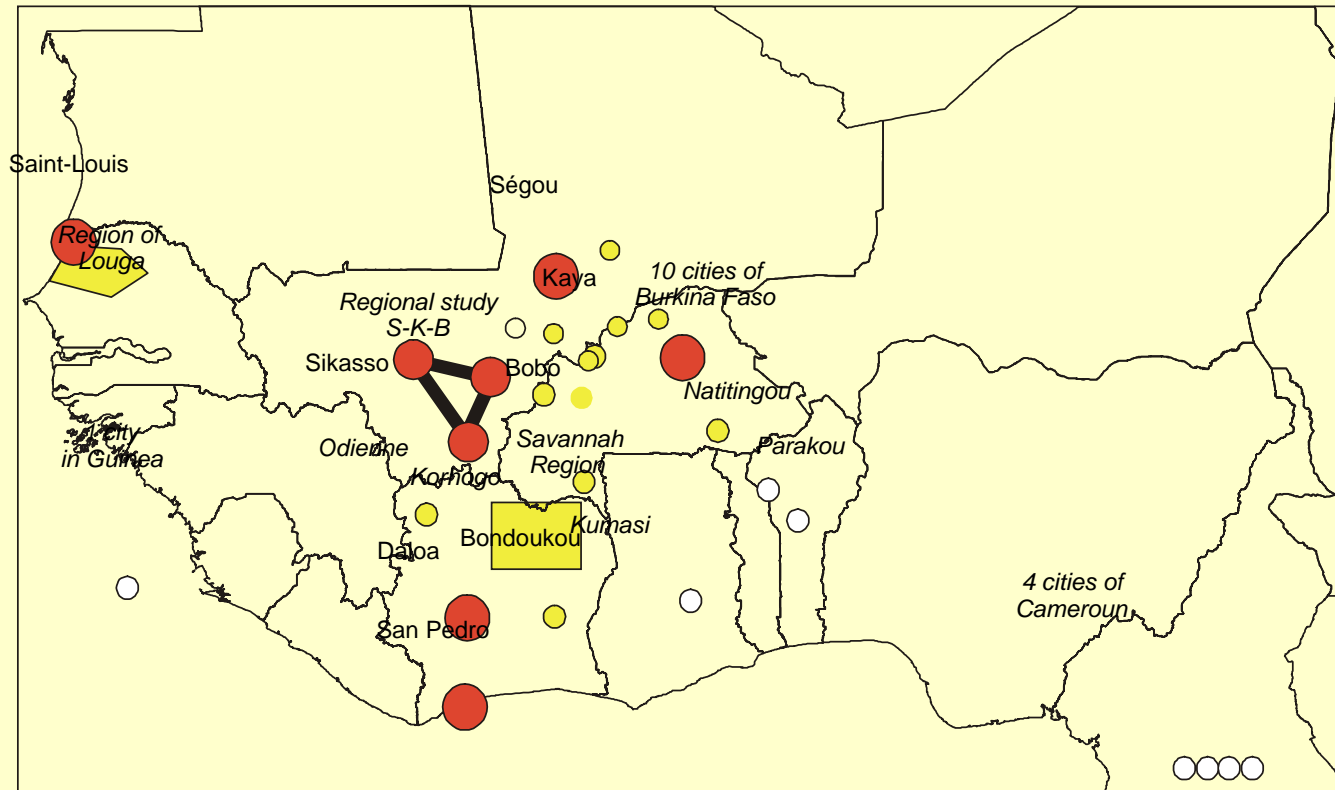
with

❑ **A “micro” approach**, more concrete and based on an analysis of facts (surveys, opinion polls, interviews....).



ECOLOGICAL STUDIES IN WEST AFRICA

● Completed studies ● Programmed studies for 2004 ○ Other programmed studies



Some findings of the study phase



What can the Mayors do for the revitalization of their economies?

1 – Set up an information system at the local level

2 – Build up social dialogue

3 – Provide accommodation for the new city dwellers and improve the efficiency of local economic operators



1 – An appropriate information

Estimation of the economic potential of the studied cities

A City of 100 000 inhabitants, CFA F 50 billions of GLP (85 million \$)

Informal sector : 40% of GLP, 80% of total employment

0.60% levies and CFA F 2 200 per habitant (3,5 \$)



2 - Decentralization implies building up social dialogue

Local budgets do not reflect the full extent of local dynamism

The need for a greater participation of the populations in local management with two major challenges :

- Mobilization of local resources : “the populations are willing to pay for services that are in line with their priorities most especially if they participate in the decision-making concerning the provision of these services”
- Improvement of local public spending: “because the local governments are closer to the electorate, they are better controlled, and they produce more efficiently what they decide to produce.”



3 – Provide accommodation for the new city dwellers and improve the efficiency of local economic operators

Comparison between the maintenance budget and the theoretical requirement of maintenance

A city of 100 000 inhabitant, CFA F 400 per inhabitant (0,6\$) instead of the required CFA F 5 300 F (9 \$)

These cities lose their stock of capital because of maintenance deficiency

Every new investment worsens the problem



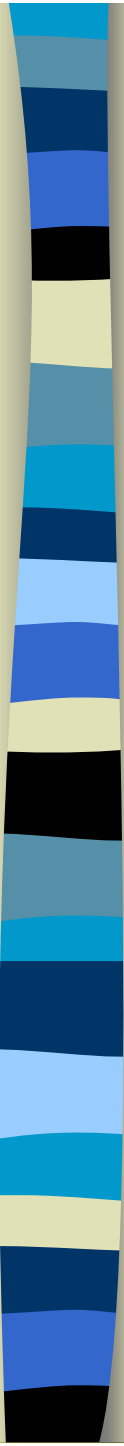
The negotiation phase



Negotiation phase

- 1** Produce a widely agreed analysis of past developments, and the strengths and weaknesses of the local economy.
- 2** Propose a shared vision of the issues and prospects of the future development of the local economy, the functions and activities that might form its base or “engine”.
- 3** Select priority objectives for public planning and the development of sectors of activities with high growth potential
- 4** Decide on a public investment strategy, based on mobilizing local resources, taxes and others, the capacity of borrowing, ect..





Difficulties of effective small enterprises in the context of LED in West Africa



Encountered difficulties

1 – Disconnection between the formal sector (major enterprises) and the informal sector (effective small enterprises).

2 – Disconnection between local economic stakeholders (specially the informal sector) and local officials.

3 – The difficulty in getting the stakeholders to the reflection on the long term which is often perceived as a luxury in a context where «future cannot be taken for granted» . .



Encountered difficulties (Cont'd...)

4 – A significant contribution to the local budget but not recognized by the local governments

5 – An infrastructure environment of bad quality and insufficient infrastructures .

6 – An unsuited national legislation .

