STATE OF LOCAL ECONOMIC DEVELOPMENT [LED]

OF MALAWI

REPORT

FEBRUARY, 2016
This publication presents the state of art of Local Economic Development programs and projects it’s a national report on current Local Economic Development legislation and practices.

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<td>ADC</td>
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1.0 INTRODUCTION

Amongst several definitions found in literature, Helmsing (2001) describes local economic development (LED) as ‘a process in which partnerships between the local government, 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’, and according to Rodriguez-Pose and Tijmstra, (2005), LED refers to ‘a process where local actors shape and share the future of their territory’. In Malawi just as the rest of developing world, LED has aimed at achieving a sustainable local economy through efficient utilization of local resources and developing comparative economic advantages. Thus, LED is seen as a better strategy to stimulating local economic growth and building a competitive local economy. The emphasis is on efficient utilisation of the local resources to economic growth. This has largely focussed on the dominant local sectors such as: agriculture, mining and fishing and have specifically included irrigation farming, natural resources management, agro-processing and business development. The specific LED projects have focussed on addressing bottlenecks to achieving high productivity and local participation (Zoomers, 2006; Davis, 2006). In Malawi the main thrust to local economic development rests in the realisation of National Decentralisation Policy (NDP 1998) and the Malawi Growth and Development Strategy objectives.

An attempt to use the Local Economic Development (LED) approach in Malawi started as early as the 1980s with the Rural Growth Centres Programme with funding from the German Government through the Malawi and German Governments Technical Co-operation (MGGTC) also known as GTZ. However the approach emphasized on social development through the provision of socio-economic physical infrastructure such as roads, health centres and produce markets. Other strategies that have been used in Malawi in tackling issues of local economic development are Secondary Centres Development Programme (SCDP) with funding from GIZ, the Infrastructure Services Programme funded by the World Bank (ISP), Millennium Villages Project funded by UNDP, Support to Local Economic Development (LED) Project funded by the African Development Bank (AfDB), Urban Development Project under German Government Funding through KfW and Area Development Programmes by World Vision in some districts of the country. Some NGOs and Donor organizations have also implemented poverty reduction projects with some elements of local economic development approach.

This paper therefore attempts to give an account of the status of LED in Malawi by mapping out the various initiatives undertaken. It defines the international meaning of LED and marries it with the macro, national and local applications. It narrates the historical perspective and drivers of LED in Malawi, the legal and institutional framework of LED, and the various LED initiatives implemented by different stakeholders. It analyses the characteristics of LED in Malawi and assesses compliance to the international experiences in respect of territorialism, local ownership, partnerships enhancement, focus on addressing strategic issues, integration, local focus, multi-sectoral approach, good governance, long term orientation, and ability to harness local competitive and comparative advantages. The characteristics were analysed in respect of LED themes of economic governance, enterprise development, livelihood development, locality development and workforce development. Finally the report discusses the gaps on LED in Malawi and suggests some recommendations and conclusions.

2.0 NATIONAL ENABLING PERSEPECTIVE OF LED IN MALAWI

The objective of local government is to “further the constitutional order based on democratic principles, accountability, transparency and participation of the people in decision-making and development process (section 3).” Amongst many major functions of the local government (council) is to promote local economic development.

Also ‘the right to development’ is a constitutional provision. The Malawi Government is currently implementing the Malawi Growth and Development Strategy II (2013-2018), whose one key theme is the Integrated Rural Development Strategy under which the concept of LED is one of the key sub-strategies.

Local Economic Development is in line with gender and women empowerment which is one of the foci of the government of Malawi under the National Gender Policy (NGP), Malawi Growth and Development Strategy (MGDS) and the Millennium Development Goals (MDGs), and similarly may be applicable to the recently adopted Sustainable Development Goals (SDGs). This is also in line with the Support to Local Economic Development (LED) Project which targets the poor, but economically active individuals in Malawi.

Similarly, the Malawi National Export Strategy (NES, 2013-2018) though does not mention LED but prioritizes ‘the economic empowerment of MSMEs, youth, women and the poor’ which Justin Lin, the former Chief Economist of the World Bank, calls New Structural Economics, and is meant to kick start the economy and set the foundation for the capital accumulation crucial for value addition, job creation, widening the tax base and the growth of MSMEs, particularly in economies such as Malawi’s that have traditionally been dependent on the export of raw or semi-raw commodities. The NES aims to maximise the direct contribution of exports to economic and social development as outlined under the thematic area on sustainable economic growth in the Malawi Growth and Development Strategy II (MGDS II). It aims to do this through the development of the private sector in a manner that is balanced with the economic empowerment of the rural and urban poor, smallholder farmers, youths and women.

The NES provides clearly prioritised and phased plans of action in four key areas namely: developing priority export clusters that can complement the exports of traditional products such as tobacco and tea; improve the enabling environment for private sector growth through enhancing the productive base of the economy; develop key institutions that are key for sustainable growth; and plans on how Malawi can address its current skills gap in the productive economy that is critical for job creation and economic empowerment. These strategies have intrinsic elements of local economic development.

Similarly, the National Land Policy (2002) sets out to devolve planning functions to cover the whole country and its implementation strategy though explicit on the establishment of rural land administrative committees, has not been aggressive enough to meet this requirement; thus rural land administration is still divorced from the grassroots who are the critical players in land use planning and development. The National Land Policy (NLP, 2002) emphasises that land is the basic resource in local economic development though lack of a land use policy and participatory practices downplay this fact. The general impression is that current efforts to engage in good practices in land use planning which support LED are relatively new developments which have emerged in the wake of political transformation. On the other hand, unplanned settlement upgrading in some urban areas in Malawi sometimes implemented as part of LED, also demonstrate the new approach to land use planning as a tool for spurring local economic development.
3.0 LOCAL ENABLING PERSPECTIVE OF LED IN MALAWI

At the dawn of the democratic era, the Malawi Government instituted a decentralization programme through the approval of the National Decentralisation Policy (NDP) and Local Government Act in 1998 to devolve power to local councils. The central aim of decentralization was to facilitate popular participation in governance, local development and service delivery as a major approach to achieving economic growth and development. One of the objectives of the decentralization programme was to promote popular participation in governance and development of districts through mobilization of the masses for socio-economic development among other development strategies. This meant devolution of administrative and political authority to district and local levels. This process entailed transferring the roles and responsibilities traditionally done at the central level to the district and local level, including identification of development priorities and solutions, implementation strategies and development evaluation. The National Land Policy (2002) advanced to extend land use planning strategies to all urban and rural areas so as to enhance local economic development. The Rural Growth Centres Development programme is one of the strategies that the Government of Malawi has put in place to spur LED.

3.1 DECENTRALISATION PROCESS IN MALAWI

Malawi has a history of decentralization that has been varied. The concept of decentralization has been at the centre of different public administration that has existed in the country. Depending on the nature of government existing at the time, either devolution or deconcentration has been adopted. In Malawi decentralization has gone through three (3) distinct phases shaped by the objectives of the government in place i.e. devolution during the colonial era, deconcentration during the single party era and currently devolution during the multiparty era.

3.1.1 Deconcentration

During the single party era, power and functions were centralized. This power structure enabled the decision authority to be concentrated with the President at the central level, and appointed District Commissioners at district level. Due to the process of accumulating power at the centre, local governments existed only on paper. Most decisions of local governments were subjected to ministerial approval. Even candidates to local government elections were subjected to party vetting. Traditional revenue sources for councils were also transferred to central government.

3.1.2 District Focus

In 1994 the multiparty government pursued the decentralization process starting with the District Focus policy that was piloted in six districts. The deconcentrated policy of District Focus sought to assign more responsibility to District Development Committees (DDCs) for district specific development. The responsibilities included preparation of development plans and allocation of government grants to projects. It was hoped that because of the composition of the District Development Committee and its base in the District Commissioner’s Office, it would easily coordinate district development. The District Development Committee was comprised of political and traditional leaders, and heads of sector ministries.

However, the policy of District Focus was based on District Development Committee structure that had no legal mandate and usurped power from the councils. Most importantly, District Focus was initiated in a one party era and therefore could not be expected to address democratic goal of genuine popular participation.
3.1.3 Decentralization Policy

The multiparty Government developed a new National Decentralization Policy approved in 1998 sought to devolve powers and functions of governance and development to elected Local Government Units that formed the local council as reflected in the Constitution. The Council was composed of: Elected members - councilors (voting members); Traditional Authorities (ex-officio, non-voting members); Members of Parliament (ex-officio, non-voting members); and Five (5) representatives of special interest group.

The Council (then known as Assemblies) took over functions performed by deconcentrated units of central government at the district level. The objectives of the decentralization Policy were: to create a democratic environment and institutions; to eliminate dual administration; to promote accountability and good governance; and to mobilize the masses for socio-economic development (hence local economic development). As a result councils were given a wider mandate in terms of raising their own revenue through powers to levy local taxes; Government was sanctioned to contribute 5% of its national revenue to local governments; and the National Local Government Finance Committee that oversees the financing of local government, which is provided for in the Constitution was established.

Consequently, there is increasing consensus in Malawi that the main goal of decentralization is not only local economic development, but also achieving good governance through the promotion of meaningful community participation in the development process and empowering local communities to define their present and future development goals. There is a general recognition and consensus that participatory local planning through decentralization is a necessary framework for achieving sustainable rural development and good local governance. The understanding is that decentralization has the potential to promote efficient planning and inclusive sharing of development benefits (Chinsinga, 2003; Griddle, 2007).

The decentralized development approach is realized through the District Development Planning System, which is a bottom up approach to development planning, implementation and monitoring. Through this system, district councils are charged with the responsibility of ensuring that the development process is participatory through the creation of local structures namely District/Urban Executive Committee (DEC/UEC), Area/Ward Executive Committee (AEC/WEC), Area/Ward Development Committees (ADC/WDC) and Village/Neighbourhood (Community) Development Committees (VDC/CDC). According to Malawi Decentralization Policy (1998) and Local Government Act (1998), district/municipal councils (DC/MC/UC) are supposed to produce District/Urban Development Plans (DDP/UDP) that are district/city focused, people-centred, bottom-up and participatory, and promote local economic development.

3.2 MALAWI GROWTH AND DEVELOPMENT STRATEGY (MGDS) AS A LED STRATEGY

In the current times, Local Economic Development (LED) is implemented within the framework of integrated rural development, which aims at achieving sustainable rural economic growth and development through the Malawi Growth and Development Strategy (MGDSI 2006/12, and MGDSII 2013/18). MGDS is the Government of Malawi overarching development planning framework (GoM, 2010). The overriding aim of LED project is to contribute to pro-poor growth and poverty reduction through improving the socio-economic well-being of the local population and strengthening economic growth. Equally important, successful LED initiatives are those that implement LED as a development approach and not as development projects as this ensures that all development projects and initiatives in the area are jointly managed and necessary linkages established. Government’s desire for implementing these programmes was to induce LED and however, according to monitoring reports on the programmes, success was registered in fewer areas especially in the first phase of the Rural Growth Centres Programme.
The current programme despite still under implementation, has tried to address the shortcomings of the first phase and the impact is noticeably impressive. It can be observed from the above that the desire to implement LED in Malawi is not consolidated, harmonized, mainstreamed, and integrated fully in policy and development strategies. The current overarching development framework known as the Malawi Growth and Development Strategy II and even its predecessor policies such as the Malawi Growth and Development Policy I and the Poverty Reduction Strategies Papers (PRSP) I and II did not explicitly champion the LED approach though intrinsically promoted it in their objectives, themes and strategies. It is the lower level development strategies and policies that have highlighted the LED approach as the means and vehicle in achieving the policy objectives. For instance, though the Ministry of Industry and Trade Strategic Plan (2011-2016) does not explicitly mention Local Economic Development (LED), its strategic objectives and outputs are meant for promotion of the LED approach. It emphasizes on promotion of growth and diversification of exports; stimulating the contribution of manufacturing value addition to Gross Domestic Product; stimulating the growth and development of the SME sector; creating a business environment conducive to industry development and competition; facilitating access to both domestic and international markets; and enhancing the capacities of the industry and trade sector to ensure effectiveness and efficiency.

4.0 LOCAL ECONOMIC DEVELOPMENT IN PRACTICE

As observed earlier that though the LED Concept seems a new term and phenomenon, the practice has existed for a long time. Most institutions and beneficiaries involved in LED practices do not know that what they are practicing and implementing is LED. The practice has evolved from many participatory development planning approaches implemented over a long period of time as either projects or programmes. The LED approach in Malawi has been implemented as pieces of poverty reduction projects for a particular impact area or territory. There are many projects in the agricultural, water, transport and industry and trade sectors with LED characteristic but have not been recognized as such. This emanates from the lack of recognition of LED in the policy frameworks of the sectors. It is only the local government policy and legal statutes that have mentioned LED but also without much elaboration.

In Malawi, the first LED initiatives were packaged in the Rural Growth Centre concept that saw the establishment of rural growth centres across Malawi (Chinsinga, 2010). However, early LED projects registered unimpressive performance and left cathedrals in the desert (Rodriguez-Pose and Tijmstra, 2005; Chinsinga 2010). It was also been observed that in Malawi, rural growth centre project was generally a failure having failed to establish sustainable performing local economies (Zuka, 2015).

4.1 LOCAL ECONOMIC DEVELOPMENT PROJECTS

4.1.1 The Rural Growth Centres Programme (phase I)

The Rural Growth Centre strategy (1985 and then 2009) was based on Perroux’s Growth Pole Theory which postulates that economic growth occurs in specific activity establishments of human occupancy such as agricultural areas, markets, mines, and industries. It summed that the growth points would induce further local economic development within and spread to the rest of a region. As a result interconnections develop between growth points, which give rise to nodal areas and become a focal point that deserved deliberate government investment in socio-economic infrastructure. Through concepts of agglomeration of economies and economies of scale, economies of localities would be stimulated and become vibrant through increased incomes, employment generation, socio-economic infrastructure development and developed value chains for economic commodities. In Malawi, the Malawi Government introduced the RGCP in the early to mid-1980s (1979 to 1995) and the programme targeted some strategic areas in the country.
However the concept resurfaced in 2009 but now with a different dimension and outlook. Located by design between 40 and 60 km away from district headquarters and having a designated influence zone of 15 km, an initial ten (10) pilot centres were selected in various parts of the country. The main objectives of the RGCP included increasing household incomes; facilitating the establishment of more employment opportunities; improving social and economic infrastructure in rural areas; providing sustainable supply of energy and reducing rural-urban migration. In order to achieve these objectives, strategic activities implemented included: improving road networks; promoting land use planning; establishing cluster centres for small scale industries; housing development; energy supply and development of rural growth centres. However, lack of popular participation in the planning and implementation of RGCP was the main cause for its failure perhaps because it was implemented during the pre-democracy era when planning was not inclusive and hence lacked appreciation of the objectives of the programme and ownership by the communities. Also the design characteristic of remoteness and not potential natural economic vibrancy was the reason for their slow growth.

4.1.2 The Secondary Centres Development Programme

The Secondary Centres Development concept is based on the Central Place Theory accredited to W Christaller in the 1930s. The theory assumes that there has to be one dominant location which accommodates high-order functions or services with linkages to centres with lower-order services and populations. All things being equal, it was assumed that these secondary centres (central places) established at roughly equal spacing with secondary or lower-order centres in between, would develop interconnections to the smaller units. The theory further assumed that there is a market range which can define the size of a particular centre.

The principle was tried in Malawi (between 1985 and 2005) in which deliberate socio-economic infrastructure investments were made to special existing centres such as Mzuzu and Karonga in the northern region, Kasungu, Balaka, Dedza and Salima in the central region and Liwonde, Mangochi and Luchenza in the southern region. The objective of the programme was to decentralise urban development by providing economic infrastructure in the centres falling between the 2nd and 4th tiers according to the national hierarchy of centres in Malawi in order to stimulate economic growth.

These centres were expected to develop linkages with the lower-tier centres through maintenance of employment ties. Local economies in the Secondary Centres improved due to public investments in services, facilities and infrastructure. Growth and sustainability of these centres however depended on further intervening opportunities being realised such as political will and location incentives. The SCDP though successful to a certain extent, it lacked sustainability since the centres became unmanageable due to poor maintenance capacity of local councils and rapid urbanization that swelled up the centres.

4.1.3 Infrastructure Services Programme

The Malawi Government through funding from the World Bank attempted to enhance local economic growth in rural areas through the Infrastructure Services Programme (ISP) in 2007. The attempt was to deliberately provide economic and basic infrastructure in some points along the main transportation corridors in Malawi. Telecommunications, electricity and market infrastructure were provided. Obviously the effort which targeted 27 small trading centres in Malawi to a larger extent promoted the growth in already existing larger urban centres as their ability to get raw materials and other products was enhanced to the extent that rural areas were quickly drained of their produce. In many cases rural areas ended up reverting to the major cities for purchases at a higher cost, the same produce they had earlier transferred to the city. The targeted ISP centres only became collection points for rural produce.
4.1.4 The Support to Local Economic Development (LED, Rural Growth Centres Programme - phase II)

In the current times, with funding from African Development Bank (AfDB), the Malawi Government is implementing the Local Economic Development (LED) project through the Local Development Fund (LDF) which was established in accordance with the Public Finance Management Act (PFMA, 2003) as an Intergovernmental Fiscal Transfer mechanism, to support Local Economic Development (LED) initiatives at Local Government Authority (LGA) and Community levels. Local Economic Development (LED) is implemented within the framework of integrated rural development, which aims at achieving sustainable rural economic growth and development through the Malawi Growth and Development Strategy (MGDSI 2006/12, and MGDSII 2013/18). MGDS is the Government of Malawi overarching development planning framework (GoM, 2010).

This is a second attempt to the Growth Centres Programme that failed in the 1980 and 1990s. The LED project is implemented in centres with economic potential and aims to strengthen economic growth and improve the socio-economic well-being of the local population by attracting external investment and exploiting their comparative advantages. Under the LED project, the Government of Malawi (GoM) is targeting the economically active poor in Monkey Bay, Mangochi; Chitekesa, Phalombe; Jenda, Mzimba and Malomo, Ntchisi with the overall objective of improving the socio-economic wellbeing of the people and strengthening economic growth.

This project also followed the same Growth Pole Theory by Perroux in the 1950s which observed that development could not occur everywhere all at once but in poles from which growth impulses could be emitted. Such poles are linked to a major industry which utilises local products sold by local producers who in turn earn incomes. The poles also attract other investments which supply goods and services making the centre become a market for local and manufactured goods. Ultimately, the growth centre is also a central place for its hinterland and has linkages to higher order centres in the urban system.

The LED project is implemented with the principle that Growth centres can be a concentration of social services to benefit the rural population for improved livelihoods and or centres with economic potential are selected to spur their own growth and to spread the same to their hinterlands. As the centres grow, they help increase productive capacity of rural producers and promote commercialisation of agriculture, reduce unemployment, curtail migration to larger urban centres and contribute to poverty reduction in the influence area. Such centres are supported to perform this role better through affirmative industrialisation policy, tax incentives and deliberate concentration of infrastructure investment (roads, power, water, telecommunications and services like banking) can be implemented to attract external (to the centre) investment and promoting local investment.

In an attempt to correct the earlier challenges in the first phase of the Growth Centres Programme, the LED Project targeted centres that have economic potential. The programme targeted some rural settlements which have displayed high potential for economic growth. It supports enterprise development through training of entrepreneurs organised into cooperatives. The project supported the establishment of local industries to process local farm or other produce for value addition after careful value chain analysis. It promotes democratic local governance by establishing and supporting a Centre Management Committee (CMC) whose decisions are respected by local councils, project staff, and communities.

Subprojects, that is, roads, electricity reticulation, water supply, bus station, markets, hospital and schools were implemented. Some of these investments can facilitate movement and trading of goods by producers from areas around the centre while others are essential for human development. There was wide consultation before the launch and during selection process through meetings held since 2009 and through community leaders.
A centre management committee (CMC) and committees for each sub project were established. These committees were instrumental in facilitating meetings with communities and relaying information about the project.

The LED project registered successes in job creation through construction projects since nearly 70% of labourers and semi-skilled workers were from within or around growth centres. More jobs mean more spending at local businesses and more tax revenues for local governments which permit the expansion and improvement of public goods and services, leading to an improved local quality of life. Some of workers used the wages to start their own commercial enterprises at the markets.

The LED project trained several entrepreneurs in various skills related to deepening enterprises such as group mobilization, business management, entrepreneurship, skills development in product development and quality assurance, marketing and market research. Most groups were supported with equipment after such training to sustain their businesses. External organisations started to establish branches at the centre. Among them are banks such as (Opportunity International Bank of Malawi (OIBM) and Malawi Savings Bank (MSB). Non-governmental organisations (NGOs) introduced loan schemes and commodity processing such as production of cooking oil from sunflower and groundnuts, and tomato processing.

However, major project challenges experienced include: Not many major industries have been attracted to or supported at the centre; dominance of trading than produce processing entrepreneurs; lack of attracting propulsive industries hence prevalence of service centre rather than growth centre activities; governance related weaknesses in project planning and implementation; not all targeted groups were trained especially on value addition; lack of support to some pertinent services and value chain actors for instance local handcart transport operators who move goods from the hinterland to the growth centre were excluded in the deepening enterprise initiative (Manda 2015).

Growth centres as a strategy for rural development is therefore viable in Malawi. With careful selection of centres, public infrastructure attracts significant private investments, traders and migrants to the centre. Value addition to local produce and promoting entrepreneurship quickly transform communities. The establishment of, and support to, CMC with representatives from each subproject and from local communities helped identify and resolve challenges, and needed to be mainstreamed in the District Planning System especially below the Village Development Committee to act as the link and overseer over the whole rural growth centre. Value addition and CMC are prerequisites for improved urban governance and sustainability of the facilities and infrastructure. These two issues failed the previous wave of rural growth centres or indeed derailed progress in implementing a parallel project under the Ministry of Local Government and Rural Development.

4.1.5 One Village One Product (OVOP) Project

The One Village One Project (OVOP) movement that started in Oita, Japan aims at mobilisation of local human, material, and cultural resources to create value added products and services for domestic and external markets. OVOP in Malawi was championed by government (National OVOP Secretariat) and people embraced it, unlike the Oita OVOP that originated from people’s initiative. It emphasizes on economic improvement of households, rather than social purposes (enrichment of community life) and/or individualistic (attainment of specialized skills and knowledge). Partners included Local governments; donor agencies; and NGOs. Access to funding is Proposal-based and technical assistance received included training in OVOP concept, management including basic book keeping and packaging. Funding sources are small government grants and JICA funded equipment; and quasi-government financial institute. Marketing of the products are done through Antenna shop and there is some quality qualification.
The Malawi OVOP approach combines both social (to revitalize local marginalized communities and economic (economic restructuring) objectives. It aims at both improvement of both social conditions and economic development. This concept closely resemble the LED approach in many ways for instance, the territorial orientation, promotion of products with comparative and competitive advantage, and the participatory approach just to mention a few. However the budget for the OVOP programme was a mere 0.5 million dollars over the first five years, but it managed to reach a large number of communities and households. Approximately 13,000 households have benefited by the OVOP activities with the fund of merely 418,721 dollars.

4.1.6 Other LED Projects

There are other projects that wears the face of LED and have been implemented since the 1990s especially by the Civil Society Organizations (NGOs) for instance World Vision Malawi, Millenium Villages (UNDP), Oxfam, Concern Universal e.t.c. Most of the interventions have been in the infrastructure development such as roads, health facilities, schools, sanitation facilities and water; business development; livelihood activities; HIV/AIDS; climate change adaptation and environmental conservation; and food security.

4.2 CHARACTERISTICS OF LED APPROACH IN MALAWI

Assessment of the case studies under this review has revealed the nature and characteristic of the LED approach in Malawi. Local Economic Development practice in Malawi also resembles the international experiences, characteristics and guiding principles such as territorial, local ownership, enhancing partnerships, addressing strategic issues, integrated, local focus, multi-sectoral, good governance, long term oriented, and harnessing competitive and comparative advantages.

4.2.1 General Characteristics of LED

Table 1 below shows that LED practices witnessed in Malawi are those that are locality based because are meant to address a particular issue and harness the competitive and comparative advantages of these localities. However, LED programmes in Malawi are equally spread to smaller and larger populations. There are interventions to smaller communities but at the same time other programmes are meant to reach out to bigger communities in various localities. Most of the localities (districts) on LED programmes are those that are mostly vulnerable and at the bottom of the national socio-economic profile.
At least 90% of LED interventions are long-term. 50% of the projects have 3-5 years term of implementation and 40% are for more than 5 years of implementation. The 2 projects (10%) whose term was fewer 3 years were either a pilot project or whose major objective was relief. This signifies that for sustainable impact to be achieved there is need for rigorous, vivid, intensive and longer engagement.

All the LED interventions are funded by either NGOs (55%) or International Donors (45%). No single project was funded by the central or local government singlehandedly. This may suggest lack of mainstreaming of LED in the development policy framework, and lack of appreciation of the LED approach as a powerful tool for sustainable local development by government at the national and local levels. This confirms the earlier analysis that LED is not commonly mentioned and used in the policy documents especially at the national level.

There is no much difference in the size of the funding (financial portfolios) handled by donors and those by Civil Society Organizations. In fact it is a trend in Malawi that most NGOs implement projects in partnership with donors. Due to challenges of accountability by government, it has become a tradition that donors channel their development assistance to the citizens through CSOs. However it should be appreciated that most loans and grants from donors come with conditionalities, and one being counterpart funding (contribution) by government that mostly is never highlighted.

### 4.2.2 Programme Project Areas

At least 13 projects (65%) depicted above average typical LED characteristics, amongst which 3 projects (15%) represented almost full LED approach compliance namely Support to LED Project funded by the African Development Bank (AfDB) (100%), Likuni Meadows Housing and Income Improvement Project funded by Centre for Community Development (CCODE) in partnership with National Housing Federation, UK (95%), and the Millennium Villages Project funded by the UNDP - Earth Institute and Millennium Promise (90%).
In pursuit of poverty reduction, most projects implemented also address local economic development objectives. All projects surveyed on local economic development depicted high level compliance to LED characteristics and qualities. For instance the two lowest scored LED projects earned at least 57% of the total scores indicating that most LED characteristics were met. Also the average total score amongst the different projects is 75% scores meaning that most projects fulfilled the LED characteristics very well at this higher level.

### PROGRAMME PROJECT AREAS

<table>
<thead>
<tr>
<th>ITEM</th>
<th>PROJECT NAME</th>
<th>LOCALITY</th>
<th>ECONOMIC GOVERNANCE (EG) - 6 Scores</th>
<th>ENTREPRISE DEVELOPMENT (ED) - 5 Scores</th>
<th>LIVELIHOOD DEVELOPMENT (LD) - 3 Scores</th>
<th>LOCALITY DEVELOPMENT (LDD) - 3 Scores</th>
<th>WORKFORCE DEVELOPMENT (WDD) - 3 Scores</th>
<th>TOTAL SCORES - 21 Scores</th>
<th>TOTAL SCORES %ages Scores</th>
</tr>
</thead>
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<tr>
<td>1</td>
<td>Stimulating Business</td>
<td>Central Region</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>6</td>
<td>2</td>
<td>16</td>
<td>76.0</td>
</tr>
<tr>
<td>2</td>
<td>Fight Climate Change</td>
<td>DA, MC</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>7</td>
<td>1</td>
<td>12</td>
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<tr>
<td>3</td>
<td>Sustainable Diet</td>
<td>MZU, TO, BLK</td>
<td>3</td>
<td>4</td>
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<td>6</td>
<td>2</td>
<td>14</td>
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</tr>
<tr>
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<td>Off-Grid Electricity Kiosks</td>
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<td>2</td>
<td>2</td>
<td>14</td>
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<tr>
<td>5</td>
<td>Women Access Value Chains</td>
<td>LL, DA, MC</td>
<td>3</td>
<td>6</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>16</td>
<td>76.0</td>
</tr>
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<td>Millennium Villages</td>
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<td>8</td>
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<td>3</td>
<td>3</td>
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<td>6</td>
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<td>3</td>
<td>12</td>
<td>57.0</td>
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<tr>
<td>8</td>
<td>Rich farmers Livelihood</td>
<td>Various</td>
<td>4</td>
<td>6</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>12</td>
<td>57.0</td>
</tr>
<tr>
<td>9</td>
<td>Integrated Farming</td>
<td>CK</td>
<td>4</td>
<td>6</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>16</td>
<td>76.0</td>
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<td>10</td>
<td>Janeemo Land consensation</td>
<td>DK, NE, DA</td>
<td>3</td>
<td>6</td>
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<td>2</td>
<td>2</td>
<td>14</td>
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<tr>
<td>11</td>
<td>Sustainable Livelihood</td>
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<td>5</td>
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<td>Livelihood and Economic Recovery</td>
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<td>2</td>
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<td>Sustainable Water and Sanitation</td>
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<tr>
<td>15</td>
<td>Support to LED</td>
<td>MZ, NS, MH, PE</td>
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<td>6</td>
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<td>16</td>
<td>Improving Housing Environment</td>
<td>BT 4</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>15</td>
<td>71.0</td>
</tr>
<tr>
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<td>Likuni Meadows Housing and Income Improvement</td>
<td>LL</td>
<td>5</td>
<td>6</td>
<td>3</td>
<td>3</td>
<td>3</td>
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<td>18</td>
<td>One Village One Product (OVOP)</td>
<td>Various</td>
<td>5</td>
<td>6</td>
<td>3</td>
<td>3</td>
<td>3</td>
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<td>The Hunger Project</td>
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<td>2</td>
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<td>81.0</td>
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<tr>
<td>20</td>
<td>NW Urban Devpt</td>
<td>Various</td>
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<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>12</td>
<td>57.0</td>
</tr>
</tbody>
</table>

**Mean Scores:**
- **Economic Governance:** 4.6
- **Entreprise Development:** 5.3
- **Livelhood Development:** 2.4
- **Localitly Development:** 2.1
- **Workforce Development:** 1.9

**Total Mean Scores:** 15.8

**Total%ages Scores:** 75.0

Note: DA=Dowa, MC=Mchinji, MZU=Mzuzu, TO=Thyolo, BLK=Balaka, MJ=Mulanje, LL=Lilongwe, ZA=Zomba, KA=Karonga, CK=Chikwawa, BT=Blantyre, NE=Nsanje, MH=Mangochi, CZ=Chiradzulu, RJ=Rumphi, KK=Nkhotakota, NU=Nchichu, PE=Phalombe, NZ=Mzimba, NB=Nchisi

1. **Economic Governance**

Half of the projects implemented, depicted high degree of economic governance especially on capacity building and economic empowerment of its grass-root beneficiaries and stakeholders. However the role of local governments in promoting LED is minimal and hence in contrast to the mandates enshrined especially in the Local Government Act (1998), Decentralization Policy (1998), and Local Government Guidelines. Also projects faired not well on partnerships including public-private partnership (PPP), LED policy and implementation and LED strategy development. There is no adequate support for LED Forum, and hence poses a question whether the projects that are implemented indeed represent the wishes of the beneficiary population. 15% were worse off on economic governance and were mostly those implemented by NGOs. This shows that some NGOs operate outside the local government system by directly implementing the projects without the knowledge and coordination of the district or urban council. Equally important is that most projects that are implemented do not respect planning and zoning rules perhaps because the rural is mostly unplanned.

2. **Enterprise Development**

Majority of the projects (14 or 70%) being implemented, aim at promoting and sustaining enterprise development. Developing and deepening enterprise development has become very fashionable in the development circles. This reflects on frustration and desperation to raise peoples’ income and end poverty through enterprise development. On the other hand this confirms existence of abject poverty and hence improving incomes through enterprise development is a priority for the country.
Highest scores on development of business enabling environment, and entrepreneurship development confirms their importance as a key for enterprise development. However, some projects did not do well on business attraction and retention, product innovation and new technology adaptation, lack of facilities and premises for production (incubation centres), limited access to finance, limited business development service providers, and limited value chain analysis. It is also evident that purely infrastructure projects do not promote enterprise development as per the available criteria. For instance the KfW Urban Development Project, Sustainable Water and Sanitation Project and the Fight Climate change (environmental in nature) scored low on enterprise development. This calls for incorporation of some software elements in the infrastructure projects. LED approach is not adequately promoted by the national, regional and local policies and strategies. Most projects did not seem to support and be strongly linked to the national led strategies.

3. Livelihood Development

Most LED projects address livelihood problems. It is evident that all projects (100%) targeted at improving livelihood as shown that 40% of the projects showed full (100%) compliance and 60% of the projects showed 67% compliance. It is worth noting that there is good positive correlation between livelihood improvement and enterprise development. Those projects that promoted livelihoods were also found to be promoting enterprise development, and mostly also economic governance. This means that if livelihood activities are planned together with enterprise development activities, it is easier to realize economic governance. This also implies that social and public infrastructure is an integral ingredient for local economic development.

4. Locality Development

All LED projects implemented in Malawi directly promoted locality development except for one project (5%) which was about financial inclusion that showed not to directly promote this. However it is obvious that improvement in income for communities led to private investments in the localities. Only 20% of the projects were designed to fully address locality development, and 75% of the projects being of limited impact to locality development. This suggests that LED activities in Malawi needed to aim at improving the locality development with a lot of public and business infrastructure in order to attract further private investment into the areas.

5. Workforce Development

LED projects in Malawi do little in promoting workforce development. Only 10% of the projects fully promoted workforce development. The majority 60% promoted workforce development to a limited extent and 30% of projects poorly promoted workforce development. This is at the backdrop that LED is meant to generate employment that can lead to improved incomes of the population and increased productivity. This also suggests that perhaps there is need for looking at the quality of employment that is generated by the LED activities. Hence LED activities should aim at bringing employment and ensuring that the employment is beneficial.

5.0 LED PRACTITIONERS, COMPETENCY CENTRES AND SKILLS AVAILABILITY IN MALAWI

5.1 COMMUNITY OF PRACTICE FOR LED

There are many institutions and individuals who are practicing LED in Malawi both knowingly and unknowingly. Most ministries and departments have been implementing poverty reduction and economic recovery programmes and projects at the local levels mostly with assistance from the donor community. Donor fatigue arising from policy change for aid management coupled with growing mistrust on African governments due to unimpressive governance and corrupt practices shifted the channelling of aid to Civil Society Organizations particularly Non-governmental Organizations. NGOs are re-known for practicing participatory development and localized, hence the LED approach. The Universities have also tried to realign the academic and research programmes to effectively respond to the poverty reduction needs by promoting the concept of LED.
As a result these institutions have embraced LED skills and competences to effectively implement LED projects. However there is little evidence to show that LED approach is coordinated and recognized as an approach for effective poverty reduction.

5.2 SKILLS, COMPETENCES AND TOOLS FOR LED

Even during the autocratic one-party political era, implementation of projects at the local level also had some elements of beneficiary participation though mostly was coercive than persuasive and willing-fully participation that is expected in a democracy. After attaining the democratic status in 1994, participatory local planning became accepted as the ideal local development approach. Hence the three principles of participation of inclusion, involvement and information became widely adopted. Participatory rural appraisal (PRA), rapid rural appraisal (RRA), and training for transformation (TFT) tools became widely used. After recognizing that social development alone was not bringing the desired economic transformation, LED approach has become very prominent and hence the participatory tools have been enhanced further.

Today the tools applied in LED include, focus group discussion (FGD), transect walk (ground truthing), key informant interviews, resource mapping (rich picture), seasonal mapping, pairwise and preference ranking, wealth ranking, swot analysis, stakeholder analysis, strategic planning, chain-wide analysis e.t.c. The facilitators who are in the institutions that deal with LED including the universities and research institutions have these skills and competences. However, in the ever changing world more knowledge and skills need to be updated and refreshed.

6.0 LED THEMATIC STUDY AREAS

LED practice in Malawi has to be promoted, propagated and mainstreamed in the policy and operational frameworks for poverty reduction strategies. The bid question still remains how can the LED approach and practice be internalized in the policy framework as a strategy for poverty reduction. This needs to be investigated and ways of integrating in the existing legal and policy frameworks could be suggested. For instance the constitution as the supreme law of the land needed to recognize LED. The Malawi Growth and Development Strategy II as the overarching development policy for the country, needs to include LED. The policies at National and Local level will need to highlight LED. For instance the District and Urban Development Plans must mainstream, and come up with development policies that promote LED. There is also need for enhancing and scaling up local government bye-laws that will support LED. It is therefore necessary to investigate and recommend how LED can be incorporated into the legal and administrative statutes of Malawi both at national and local levels. Reviewing the LED Strategy at National, District and Local levels would also be pertinent.

From this study it is very clear that most LED projects in Malawi scored very low on supporting LED Forum. LED Forum being a platform where different actors and stakeholders come together and discuss the economic potentials and plans for their area. There is evidence in Malawi that every attempt for a LED Forum has resulted into a shop list of social development issues which are also begotten from other development planning platforms such as the area or village development plans. As such there has been no difference and as such both beneficiaries and authorities have not seen the value in LED Forums as has been a duplication of the existing development framework. It would therefore be pertinent to investigate what form should the LED Forum take in Malawi. It would also be interesting to evaluate if the LED Forum at the national level has been successful and review the institutional framework for LED in Malawi at National, District and Local levels.

Mapping out the stakeholders for LED at both national and local levels is equally important. As indicated above, LED is currently implemented only through donor, government, academia, NGOs and community activities. However there may be other LED actors who are not well recognized. More drivers and champions of LED have to identified, their roles and activities analysed, areas and levels of operation determined and their impact elaborated.
Similarly critical actors in particular value chains need to be analysed to avoid mis-targeting during capacity building interventions. Lastly there is need to analyse strategic value chains at national and local levels. The concept of one village one project though implemented, has not been fully exploited. Mapping out the comparative and competitive advantages of individual localities remain a challenge in Malawi. There are temptations and false beliefs that any product or service can thrive at any place and environment. As a result the maximum potential and benefits of a product or service are often not realized, and hence rendering not economically viable.

7.0 CONCLUSION AND RECOMMENDATIONS

Local economic development (LED) is a new concept and terminology in Malawi. However, the practice is long lived dating from the one party state era which is usually known as autocratic. The dawn of democratic rule in 1994 bought legislative changes and notably the Constitution, and Local Government Act and National Decentralization Policy of 1998 that institutionalized participation and local economic development. Though many other legislative pieces for development do not explicitly mention LED, the characteristic and nature of guidelines, strategies and activities relate to LED. As a result most participatory local socio-economic development projects and programmes implemented have resemblance of local economic development approach. It is therefore important that the LED approach should be mainstreamed in the policy framework for local development. Since the constitution has already recognised the ‘right to economic development’ of the citizens, government should repeal the other relevant laws to recognise and explicitly mention LED.

Most projects and programmes are hatched and implemented as a poverty reduction strategy with focus on participatory approach; multidisciplinary and multi-sector; territorial focus; long-term based (more than 3 years); harnessing comparative and competitive advantage of the territories; and promoting partnerships. Therefore the LED approach practiced in Malawi is similar to the other ones implemented elsewhere. However let the national policy documents explicitly mention and recognize LED as a viable strategy for poverty reduction. This recognition of LED should then cascade to the lower levels to operationalize the policies.

The LED projects and programmes have evolved through time from aiming at addressing poverty reduction to transformational that looked at beyond social development. Projects such as Rural Growth Centres Development Programme, Secondary Centres Development Programme, Support to LED Project, KfW Urban Development Project, and other development projects implemented by various NGOs have demonstrated provision of infrastructure, empowerment of stakeholders especially women, and youth, and generation of employment. As a result economic development has spurred in these localities and hence improving the well-being of the communities.

Further analysis of the nature and characteristics of the LED practiced in Malawi, has revealed that LED promotes economic governance, livelihood development, and enterprise development but weak in locality development, and workforce development. In particular, involvement of Local Government in LED is very weak evidenced by lack of integrating LED in the local policy frameworks such as the District/Urban Development Plans. Similarly LED forums especially at district and local levels have failed to be effective. Public infrastructure provision has not been adequate to render the localities attractive for further business investments. Efforts have been made to nurture the existing local investments than hoping for attracting external investment. The concept of looking from within for investment than relying for foreign direct investment (FDI), has been necessitated by a now long and chronic donor fatigue and abandonment on donor aid.

Therefore it is very clear that territorial or impact area approach concentrate development interventions and make them rigorous, vivid, integrated, multidimensional and multisector and hence resulting into comprehensive and multiple impacts. This brings synergies and multiplier effects. Poverty is like a multidrug resistant disease and therefore requires a multidrug therapy and hence sporadic and isolated interventions typical of NGO’s approach cannot be helpful.
NGOs should only be regarded as another source of local economic development financial channel and partner for implementation of the local area development plans leaving the local authorities to champion and drive the agenda.

Although financing LED activities is a challenge due to financial constraints, it is critical that both central and local governments should take LED as an important vehicle for poverty reduction and hence upscale financial support. Socio-economic infrastructure and quality of workforce are a perquisite for attracting investment into an area. It is a common belief that if you want development in an area start with infrastructure such as a road to open up the area. Therefore more financial resources are required to invest in infrastructure and develop the skill of value chain actors. Finally let the planning, implementation, monitoring and evaluation of Led programmes and projects be evidence based. This calls for involvement of universities and research institutions in the planning, monitoring and evaluation of LED interventions. This will promote knowledge management of the LED practice. To enhance sharing of knowledge, establishing community of practice in social media such as whatsapp, facebook, twitter, and others would be ideal.


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