

## **Pro-Poor Local Economic Development (LED)**

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**June 2011**

In recent years, Mesopartner has become increasingly involved in poverty-oriented LED. Some clients such as World Vision or GIZ specifically asked for LED-oriented efforts and instruments for poverty reduction. Commissioned by these clients, Mesopartner designed and pilot tested specialised methodologies, such as Participatory Appraisal of Pro-poor Income Potentials – pro-poor PACA (2009) and Rapid Appraisal of Income Generating Opportunities – RAIGO (2010) to standardise and codify pro-poor LED analysis and promotion efforts.

But what exactly is pro-poor LED? The variety of development measures at the local level can be grouped into development areas such as economic development, social development and infrastructure planning. Each area follows a different logic and pursues different principles. The challenge is first to distinguish between the three development areas to avoid confusion and clearly understand what set of principles to draw on to accomplish a given task, and then to find synergies and bring together the areas in a systemic way. Pro-poor LED is located somewhere between economic development and social development. It clearly follows economic rules and is certainly market oriented, but it also pursues a socially oriented mission, namely to enable those who are considered poor in a given society to generate income in a commercial and sustainable way. However, in order to generate income, a certain combination of personal assets is required for a person to be competitive. Here assets are considered everything a person possesses, from education, experience and attitudes, to transport means, land or financial capital.

But how can people who are poor, which means that they lack assets, become engaged in employment or self-employment for which certain assets are required? This obvious contradiction needs clarification. First, we need to examine the concept of poverty. In general, somebody is considered poor if he or she cannot afford certain pre-determined consumer needs. This is usually reflected by the poverty line in a given societal context. However, not only the degree of poverty indicated by the poverty scale matters, but also the depth of poverty which indicates how far below the poverty line poor people are located. Various categories of poverty are used, which mostly indicate the vulnerable poor situated around the poverty line. Below this there are the destitute at the bottom who have no assets at all.

Pro-poor LED is aimed at people who live below or around the poverty line by connecting them to factor and product markets to enable them to successfully compete in these markets. Pro-poor LED typically targets the supply side, such as upgrading the labour skills of a poor person or enhancing product design and product quality of a poor artisan. It also targets the demand side by understanding the requirements of a potential employer or assessing the real market demand for handicraft or agricultural products. This, of course, also implies that pro-poor LED not only works with people who are poor, but also with well-established enterprises that are far above the poverty line and supporting institutions that need to get involved.

Poverty-oriented LED stresses the need to make the poor participate directly in economic development at the local level, and does not rely on trickle-down processes or on social transfers. The lower we move down the poverty ladder, the more social development measures are needed to supplement LED activities. At the bottom of the ladder, it is very difficult to address the destitute with LED instruments alone. If possible, the poorest of the poor should first be lifted onto the next higher grade by working on their employability. This is done by providing them with a minimum set of skills required for a simple job and at the same time by improving the basic services and infrastructure in their surroundings. Only then do further grading efforts through LED measures become relevant for them and can take effect.

It would, however, be wrong to assume that the same type of activities that apply to LED in a non-poor context also work for LED in a poverty context. For instance, risk-averse survival entrepreneurs do not necessarily want to specialise further or grow, but rather prefer to maintain the current small size of their operations, be protected from officialdom, or better still, be offered stable employment. Employers offering low-paid jobs are not looking for productivity gains, but rather for cheap labour, filling positions that cannot be further rationalised.

In conclusion, we have learned in recent years that below the poverty line LED often needs to be supplemented by social activities. A smart combination of both areas plus basic infrastructure upgrade is the key to success. The closer poor people move up towards the poverty line, the less social transfers and direct support are needed, and the more effective can LED measures become. Any development measures operating on the line between economic and social development need to take into account that micro-entrepreneurs and labourers who are still poor have different motivations, objectives and often a different mindset than the better-off. The design of development activities needs to reflect that. Mesopartner intends to conduct more field research on finding more systemic ways to conduct pro-poor LED.



Luong (bamboo) processing, Thanh Hoa, Vietnam 2010