



# The role of local governments in territorial economic development

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This paper examines the crucial role of local and regional governments (LRGs) in economic development. It addresses national and supranational governments, international development partners, as well as LRGs themselves and their local government associations (LGAs). Its purpose is to identify the policy directions urgently needed by each of these actors to enable LRGs to perform this role effectively for their citizens. It parts from the premise that LRGs are political actors and they can and should influence the definition of policies, and not only in its implementation through small actions.

The need for such a discussion at this moment is evident. As we prepare for Habitat III in 2016 and the adoption of a New Urban Agenda for the 21st Century, cities, towns, rural municipalities, and their citizens face severe challenges. There is a widespread shortage of opportunities for decent work. The International Labour Organization has estimated that the number of unemployed people globally surpassed 200 million for the first time in 2013, up by nearly 5 million in one year. Young people face the greatest obstacles ; in some places their rate of unemployment exceeds 50 per cent.

There is increased poverty and homelessness and growing social and income inequality. Displacement of rural people from the land is driving rapid urbanization in developing countries. Squatter settlements are proliferating and crime rates are increasing. At the same time, global climate change is intensifying the vulnerability of the world's people to disastrous storms, floods, and droughts.

In this difficult period, many countries have carried out programs of decentralization, devolving responsibility for numerous governmental roles to LRGs. When this devolution is planned well, implemented efficiently, and managed competently, LRGs have shown themselves capable of taking on additional responsibilities and handling them well. In our focus in this paper on local economic development (LED), we highlight the many areas in which LRGs are the most appropriate tier of government to provide leadership and coordination, complementing the efforts of national governments.