AN EVALUATION OF THE ROLE OF THE LOCAL COMPETITIVENESS FACILITY IN IGNITING LOCAL ECONOMIC DEVELOPMENT IN RWANDA

by

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DECLARATION

I declare that **"An evaluation of the role of the Local Competitiveness Facility in igniting local economic development in Rwanda"** is my own work and does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any university. To the best of my knowledge, it does not contain any materials previously published or written by another person except where due reference is made in the text, and all substantive contributions by others to the work presented, including jointly authored publications, is clearly acknowledged.

Jean Pierre HAKIZIMANA

June 2021

DEDICATION

To my lovely wife Ruth

To my sons Brian and Jace

To my late Father Jean Marie Vianney Murekezi

To my mom

To my brother Charles and Sister Josée

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ABSTRACT

This thesis is entitled “The Role of the Local Competitiveness Facility in Igniting Local Economic Development in Rwanda”. Since 1990, the Local Economic Development (LED) approach was recommended as a self-reliance mechanism and a strategy for developing countries to address poverty and economic issues as well as adapt to shocks of the fast-changing global capitalist economy. In this context, Rwanda also sought to address its persistent poverty and economic development issues by setting up a robust economic policy with alternative development strategies to speed up socioeconomic transformation, among which is the LED approach.

The study contributes to knowledge of LED, which is a relatively new field, by assessing the suitability of the LCF model as one of the proposed LED instruments for Rwanda. LCF is a pro-poor mechanism which is a matched grant fund for micro, small and medium enterprises (MSMEs), piloted in four districts of Rwanda, namely Nyagatare, Rutsiro, Gakenke and Gisagara. Typically, LCF is an LED model, notably a “growth poles theory approach”, as per François Perroux, given its design and stated inclusivity objectives to create jobs and reduce poverty in the poorest districts of Rwanda. It aims to achieve this with a combination of change factors, such as access to finance, economic partnerships and capacity-building for local enterprises.

The study was necessitated by the fact that there is still limited knowledge about this recent approach of LED in Africa, and Rwanda in particular. Notably, the apparent absence of studies that evaluate LED strategy in its complexity on both material and non-material dimensions led to an exploration in this study of economic growth, employment, and inclusiveness, as LED aspires to “improve lives for all”.

Primarily informed by desk research and an LED theoretical framework, this study focuses on the social world of knowledge with interpretivism as epistemological position to explore the LED phenomenon. Therefore, an inductive approach with the mixed methods research design was used: for quantitative methods, a digital questionnaire was used for data collection with Open Data Tool Kit (ODK), while Statistical Package for Social Science (SPSS) was used for statistical analysis. For qualitative methods, an interview guide for both focus group discussions (FGD) and key informants interviews (KIIs) as well as field observations generated data in scripts and pictures

that were analysed and, together with quantitative data, made up the research findings and recommendations.

The findings show that from 2017 to 2019, LCF was an unprecedented programme that contributed tangible results to LED in target areas based on local potentialities and industrial development. In total, 1 476 new jobs were created with an increment of 56%, while 73% of total jobs were given to the poorest residents. Local businesses became more competitive, with an increase of 76% of turnover, and local market development with 244 new 'Made in Rwanda' products. In terms of inclusivity and livelihood, LCF supported weak and informal companies thanks to trickle-down effects, while the incomes earned by employees supported up to 35% of their total households' basic needs, among other results. While exploring the LED phenomenon and based on the research findings, the researcher testified that LED is not only measured in terms of economic growth (Y), but also its combination with wellbeing (WB). Therefore, LED is a function of different factors used together, namely local milieu (LM), labour (L), and capital (K), business agglomeration effect (AE) as well as territorial innovation (I); thus, the new proposed LED formula YWB = f (LM, L, K,AE,I).

Additionally, however, the findings show that LCF design and implementation critically needs a substantial change in terms of governance and access conditions by local companies to become more inclusive of informal businesses, allow more local participation, and develop adaptive and flexible mechanisms for becoming a sharp instrument to achieve better LED results.

Key words: business development, growth poles, inclusion, job creation, LCF, LED

ABSTRACT IN ISIZULU

ISIFINQO

Le thesisi inesihloko esithi "Indima Yesikhungo Sokuncintisana Kwasekhaya Ekunciphiseni Ukuthuthukiswa Komnotho Wendawo eRwanda". Kusukela ngonyaka we-1990, indlela yokuThuthukiswa koMnotho Wendawo (i-TMW) yanconywa njengendlela yokuzimela kanye necebo lamazwe asathuthuka ukubhekana nezinkinga zobuphofu nezomnotho kanye nokuzivumelanisa nokwethuka komnotho wonxiwankulu oshintsha ngokushesha. Kulesi simo, iRwanda iphinde yafuna ukubhekana nezinkinga zayo eziqhubekayo zobuphofu nokuthuthukiswa komnotho ngokusungula inqubomgomo yezomnotho eqinile enezinye izindlela zokuthuthukisa ukusheshisa uguquko kwezomnotho, phakathi kwayo okuyindlela ye-TMW.

Lolu cwaningo lufaka isandla olwazini lwe-TMW, okungumkhakha omusha, ngokuhlola ukufaneleka kuyimodeli ye-LCF njengenye yemathuluzi eTMW ezihlongozwayo zaseRwanda. I-LCF iyindlela yokuxhasa abampofu eyisikhwama semali yesibonelelo yamabhizinisi amancane, naphakathi nendawo (ama-'MSMEs'), ahlolwa ezifundeni ezine zaseRwanda, okuyiNyagatare, iRutsiro, iGakenke neGisagara. Ngokujwayelekile, i-LCF iyimodeli ye-TMW, ikakhulukazi "indlela eyithiyori yokukhulisa izingongolo ", njengo-François Perroux, enikezwe ukwakheka kwayo futhi washo izinhloso zokubandakanya ukudala amathuba emisebenzi nokunciphisa ubuphofu ezifundeni ezihlupheka kakhulu zaseRwanda. Ihlose ukufeza lokhu ngokuhlanganiswa kwezinto eziguqukayo, njengokufinyelela kwezezimali, ukubambisana kwezomnotho kanye nokwakha amandla amabhizinisi endawo.

Ucwaningo lwaludingeka ngenxa yokuthi kusenolwazi olulinganiselwe ngale ndlela yakamuva ye-TMW e-Afrika, kakhulukazi kanye naseRwanda. Ngokuphawulekile, ukungabi bikho kwezifundo ezihlola isu le-LED ngobunzima bayo kuzo zombili izinto ezibonakalayo nezingezona ezezinto kuholele ekuhlolweni kulolu cwaningo lokukhula komnotho, ukuqashwa, kanye nokubandakanya, njengoba i-TMW ifisa "ukwenza ngcono izimpilo zabo bonke abantu".

Ngokujwayeleke kakhulu ukwaziswa ngocwaningo lwasedeskini kanye nohlaka lwethiyori ye-TMW, lolu cwaningo lugxile ezweni lomphakathi lolwazi nge-transilivizimu njengesikhundla se-

ephisthemeloji sokuhlola isimo se-TMW. Ngakho-ke, kusetshenziswe indlela yokufaka inkomba ngezindlela ezixubekile zocwaningo: ngezindlela zokubala, kwasetshenziswa uhlu lwemibuzo lwedijithali ekuqoqeni idatha nge-Open Data Tool Kit (ODK), kuyilapho iStatistical Package for Social Science (SPSS) yayisetshenziselwa ukuhlaziywa kwezibalo. Ngezindlela zokufaneleke nesimo, umhlahlandlela wezingxoxo wazo zombili Izingxoxo Zamaqembu Okugxila kuwo (i-IZO "FGD") kanye nezingxoxo ezibalulekile zabafundisayo (ama-'KIIs') kanye nokubhekwa kwemikhakha okwenze idatha kwizikripthi nezithombe ezahlaziywa futhi, kanye nedatha ebalwayo, yakha okutholakele ocwaningweni nezincomo .

Okutholakele kukhombisa ukuthi kusuka ngonyaka wezi-2017 kuya kowezi-2019, i-LCF ibiwuhlelo olungakaze lubonwe olube nemiphumela ebonakalayo ku-TMW ezindaweni ezibhekiswe kuzo ngokuya ngamakhono endawo kanye nentuthuko yezimboni. Sekukonke, kuvulwe imisebenzi emisha eyi-1 476 ngokunyuka kwama-56%, kuyilapho ama-73% emisebenzi isiyonke inikezwe izakhamuzi ezihlupheka kakhulu. Amabhizinisi endawo aba nokuncintisana okukhulu, ngokunyuka kwemali engenayo engama-76%, nokuthuthukiswa kwezimakethe zendawo ngemikhiqizo emisha engama-244 'Yenziwe eRwanda'. Mayelana nokubandakanywa kanye nokuziphilisa, i-LCF isekele izinkampani ezibuthakathaka nezingahlelekile ngenxa yemiphumela ebucayi, kanti imali etholwa ngabasebenzi yasekela kwaze kwafika ku-35% wezidingo eziyisisekelo zamakhaya abo, phakathi kweminye imiphumela. Ngenkathi ehlola lo mkhuba we-TMW futhi esuselwe kokutholakele kocwaningo, umcwaningi ufakaze ukuthi i-TMW ayilinganiswa kuphela ngokukhula komnotho (Y), kodwa futhi nangokuhlanganiswa kwayo nempilo engcono (MN 'WB'). Ngakho-ke, i-TMW ingumsebenzi wezinto ezahlukahlukene ezisetshenziswe ndawonye, okungukuthi indawo yasendaweni (i-ND), ezabasebenzi (S), kanye nemali yokuqhuba umsebenzi (M), umphumela wokuhlanganiswa kwebhizinisi (PHB) kanye nokuqanjwa kwendawo (Q); ngakho-ke, ifomula entsha ehlongozwayo ye-TMW eyi- YWB = f (ND, S, M, PHB, Q).

Ngokwengeziwe, kodwa-ke, lokho okutholakele kukhombisa ukuthi ukwakhiwa kwe-LCF nokuqaliswa kwayo kudinga ushintsho olukhulu maqondana nokubusa nezimo zokufinyelela ezinkampanini zendawo ukuze zifake kakhulu amabhizinisi angahlelekile, vumela ukubamba iqhaza okwengeziwe kwendawo, futhi wakhe izindlela eziguqukayo nezishintshashintshayo zokuba ithuluzi elibukhali ukufeza imiphumela engcono ye-TMW.

Amagama abalulekile: ukuthuthukiswa kwamabhizinisi, izingongolo zokukhula ukufakwa phakathi, ukudala amathuba emisebenzi, i-LCF, i-TMW

ABSTRACT IN AFRIKAANS

OPSOMMING

Die titel van hierdie proefskrif is “Die rol van die fasiliteit vir plaaslike mededingendheid in die stimulering van plaaslike ekonomiese ontwikkeling in Rwanda”. Sedert 1990 word ontwikkelende lande aangeraai om Plaaslike Ekonomiese Ontwikkeling (PEO) as selfredsaamheidmeganisme en teenvoeter vir armoede, ekonomiese probleme en die skokke van die snelveranderende, globale, kapitalistiese ekonomie toe te pas. In die lig hiervan het Rwanda ook gepoog om sy hardnekkige armoede- en ekonomiese vraagstukke op te los deur ’n kragdadige ekonomiese beleid en alternatiewe ontwikkelingstrategieë, waaronder PEO, en sosio-ekonomiese transformasie te bespoedig.

Hierdie studie brei die betreklik nuwe kennisgebied van PEO uit deur die geskiktheid van die bestaanskoolstoffonds- oftewel BKF-model, een van die PEO-metodes wat vir Rwanda voorgestel is, te bepaal. Die BKF is gemik op armes en is ’n bypassende toelaagfonds vir mikro-, klein en medium ondernemings (MKMO’s). Dit is in vier Rwandese distrikte op die proef gestel, naamlik Nyagatare, Rutsiro, Gakenke en Gisagara. Die BKF is ’n PEO-model, ’n “groeipoolteoriebenadering” volgens François Perroux, gegewe sy ontwerp en verklaarde inklusiwiteitsmikpunte om werk te skep en armoede in die armste Rwandese distrikte te verlig. Hierdie mikpunte sal bereik word deur ’n kombinasie van veranderingsfaktore soos toegang tot finansiering, ekonomiese vennootskappe en die verbetering van die vermoëns van plaaslike ondernemings.

Hierdie studie is genoodsaak deur die gebrek aan kennis oor die toepassing van hierdie nuwe benadering van PEO in Afrika en in Rwanda in die besonder. Aangesien daar klaarblyklik geen studie oor die komplekse materiale en niemateriële dimensies van die PEO-strategie onderneem is nie, verken hierdie studie ekonomiese groei, werkskepping en inklusiwiteit. PEO streef immers daarna om die lewenspeil van iedereen te verbeter.

Hoofsaaklik lessenaarnavorsing met PEO as teoretiese raamwerk is gedoen. Hierdie studie bepaal hom by die maatskaplike wêreld van kennis en gaan van ’n epistemologiese vertrekpunt uit om PEO as verskynsel te bestudeer. Derhalwe is ’n induktiewe benadering gevolg en het gemengde metodes die studieontwerp gekenmerk. Wat die kwantitatiewe metodes betref, is ’n digitale vraelys

ingespan om data met behulp van die Open Data Tool Kit (ODK) te versamel. Die Statistical Package for Social Science (SPSS) is in die statistiese ontleding aangewend. Wat betref die kwalitatiewe metodes, het ŉ onderhoudgids vir fokusgroepbesprekings (FGBs) en onderhoude met sleutelinformante (OSI) sowel as veldwaarnemings data in oorspronklike dokumente en beelde voortgebring. Dit is ontleed en het saam met die kwantitatiewe data tot die bevindings en aanbevelings gelei.

Volgens die bevindings was die BKF van 2017 tot 2019 ŉ ongeëwenaarde program wat danksy plaaslike moontlikhede en nywerheidsontwikkeling tasbare resultate in die teikengebiede tot gevolg gehad het. Altesame 1 476 nuwe werksgeleenthede is geskep, wat ŉ styging van 56% verteenwoordig. Nagenoeg 73% van die totale werksgeleenthede is aan die armste inwoners gegee. Plaaslike ondernemings het meer mededingend geraak, met ŉ styging van 76% in omset, en die plaaslike mark het flink gegroei danksy 244 nuwe produkte waarop "Made in Rwanda" gepryk het. Met betrekking tot inklusiwiteit en bestaan, het die BKF danksy die deursypeleffek swak en informele maatskappye ondersteun. Werknemers se inkomste het tot 35% van hulle totale huishoudings se behoeftes bevredig. Op grond van ŉ verkenning van die verskynsel en die bevindings, voer die navorser aan dat PEO nie alleen aan ekonomiese groei (Y) nie, maar ook saam met welstand (WB) gemeet moet word. Gevolglik is PEO die gesamentlike resultaat van verskeie faktore, naamlik plaaslike milieu (LM), arbeid (L), kapitaal (K), die besigheidsagglomerasie-effek (AE) en gebiedsinnovering (I). Dus word ŉ nuwe PEO-formule voorgestel: YWB = f (LM, L, K, AE, I).

Afgesien hiervan dui die bevindings egter daarop dat die ontwerp en implementering van die BKF ingrypend moet verander ten opsigte van die bestuur daarvan en die toegangsvoorwaardes vir plaaslike maatskappye sodat dit meer informele ondernemings insluit, meer plaaslike deelname moontlik maak, en aanpasbare en buigsame meganismes ontwikkel om beter PEO-resultate te behaal.

Sleutelwoorde: sakeontwikkeling, groeipole, insluiting, werkskepping, BKF, PEO.

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ACRONYMS

BDEU	Business Development and Employment Unit
CD	Community Development
CDP	Community Development Policy
COVID-19	Coronavirus disease 2019
DDS	District Development Strategy
DHS	Demographic and Health Survey
DP	Development Partner
EICV	Integrated Household Living Survey
Enabel	Belgian Development Agency
FDI	Foreign Direct Investment
FGD	Focus Group Discussion
FS	Feasibility Study
GDP	Gross Domestic Product
GPS	Geographical Positioning System
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
GoR	Government of Rwanda
HDI	Human Development Indicators
IC	Investment Committee
ICPC	Integrated Craft Production Centre
ILO	International Labour Office
INGO	International Non-Governmental Organisation
JADF	Joint Action Development Forum
KII	Key Informant Interviews
LEDNA	Local Economic Development Network of Africa
UCLG	United Cities and Local Governments of Africa
LED	Local Economic Development
LEED	Local Economic and Employment Development
IEDC	International Economic Development Council
LG	Local Government
LODA	Local Administrative Entities Development Agency
M & E	Monitoring and Evaluation
MINALOC	Ministry of Local Government
MINECOFIN	Ministry of Finance and Economic Planning
MINEDUC	Ministry of Education
MINICOM	Ministry of Trade and Industry
MiR	Made in Rwanda
MMR	Mortality rate per 100,000 lives Ratio
MSME	Micro, Small and Medium Enterprises

NAEB	National Agricultural Export Development Board
NEP	National Employment Programme
NGO	Non-Government Organisation
NIRDA	National Industrial Research and Development Agency
NISR	National Institute of Statistics of Rwanda
NDP	National Decentralisation policy
NST/NST1	National Strategy for Transformation
OCDE	Organisation de Coopération et de Développement Economiques
ODK	Open Data Kit
RALGA	Rwanda Association of Local Governments
RDB	Rwanda Development Board
REED	Rural Economic and Enterprise Development
REG	Rwanda Energy Group Ltd
RBC	Rwanda Biomedical Centre
REMA	Rwanda Environment Management Authority
RPHIA	Rwanda Population-based HIV Impact Assessment
SALGA	South Africa Local Government Association
SDGs	Sustainable Development Goals
SMEs	Small and Medium-Sized Enterprises
TVET	Technical and Vocational Education and Training
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNISA	University of South Africa
UNPFA	United National Population Fund
VUP	Vision 2020 Umurenge Programme
WB	World Bank
WDA	Workforce Development Authority
WTO	World Trade Organisation

CHAPTER 1: INTRODUCTION

1.1 THE PURPOSE OF THIS CHAPTER

The present research aspires to investigate the impact of the LCF on Local Economic Development (LED) in Rwanda's context. LED is one of the recommended approaches to spearhead economic development and has been adopted in many countries of the developing world, including Rwanda. Practically, as will be further discussed, LCF is meant to be an LED practice, and the Government of Rwanda has adopted LCF. Thus, this chapter seeks to provide a background to the study and justify its rationale, aim and objectives. In addition, this chapter describes the research problem and explains the researcher's underlying motives for undertaking the study as well as its scientific contribution. Furthermore, the chapter introduces the research methods and most importantly the scientific legitimacy through its validity, reliability and ethical bases. At its end, the chapter outlines the work structure.

1.2 THE NEED FOR UNDERTAKING THIS STUDY

First and foremost, it is important to define LED. Though there is no universally accepted definition of LED, experts at the World Bank (WB) in 2005 proposed the definition of LED as a process by which different partners (public, business and non-governmental sector) work collectively to create better conditions for economic growth and employment generation in a specific locality. Rodriguez-Posé and Tijmstra (2005:3-4) stated that the overall aim of the LED policy is "to improve the quality of life for all" (see more definitions in 3.4.1).

It is important to mention that the LED strategy has been used by high-income countries for more than six decades and was adopted in developing countries about thirty years ago. The adoption of the approach was particularly to address the unbalanced development or inequalities and deal with social problems and poverty (Mandisvika 2015; WB 2005). While LED was adopted in developed countries to address the unbalanced development and distortion left by industrialisation, it has been further recommended to the developing countries as the best way to find local solutions and address negative capitalist and neoliberal effects that conventional development and macro-economic approaches have failed to address (Mandisvika 2015:200; Nel & Rogerson 2004).

Furthermore, LED has been adopted around the world as a solution to current critical economic challenges namely economic crises, globalisation, and devolution, among others. Being appreciated as a locally based solution intended to exploit local opportunities, LED has been put on the agenda of governments and international organisations (Nel & Rogerson 2004).

According to the model of Keeble (1969), LED results come from the mobilisation of human capital and natural resources, and community on the one side, public and private partnerships on the other side which translate the above definition. According to this very model, the LED approach deals with the increasing congestion and unbalanced development and globalisation effects while providing incentives, loans and decentralisation at local level. In his work on LED in developing counties, Koma (2013) justified the importance of LED by the fact that developing countries are facing many issues namely perennial problems of growth rate, poverty and unemployment which mainly result from the global trends and new realities namely effects of urbanisation, technological revolution, globalisation and competition. He, therefore, contended that LED is an appropriate approach for developmental states [1]like South Africa (Koma 2013:129-133). In the same way, Markusen (1996) cited in International Labour Organisation (ILO 2011:1) and Rodriguez-Posé and Tijmstra (2007:459) stated that the globalisation era is characterised by increasing slippery space for capital, people, ideas and goods. They argue that LED is the most appropriate strategy for low and middle-income economies especially for those in Sub-Saharan Africa (SSA) region given its place-specific conditions. Additionally, ILO (2011:1) and Rodriguez-Posé and Tijmstra (2009: 1) further stated that in globalisation, the role to be played by localities and substructures becomes ever important to both face effect of and benefit from globalisation opportunities in terms of decent work creation. They stated that the LED strategy may help to address the increasing interconnectedness of the world, Capital, good and people as well as increasing regional inequalities and unemployment. The ILO argued that effective powers decentralisation from the central state to territorial development might create decent employment and reduce regional inequalities and vulnerabilities. The study on global challenges for Africa over 2050 suggested several scenarios for growth but not limited to increase of productivity, addressing poverty and inequalities, enhance decent employment and peoples' skills, as well as the use of

[1] Developmental states are those economies with strong states intervention, self-reliance, appropriate resource allocation, democratic and appropriate institutions, innovative craft policies among other characteristics all ensuring rapid transformation of socioeconomic growth (Koma 2013).

natural resources which are very concerning and vital solutions for real transformation (JICA 2013:7-12).

To this end, LED has become an imperative approach in the developing world has led to a need for research in the countries where it has been adopted. The researcher planned to research the implementation of LED in Rwanda, with specific reference to the LCF. The plan is as follows:

- Firstly, to investigate the adoption of a new approach in Africa. Since the 1990s, many African countries have adopted LED policy (South Africa in 1998 followed by other countries) (Koma 2013; Rogerson & Rogerson 2010). Being a fairly recent development, it is, therefore, worth investigating the development of LED from theory and policy to practice, and the contribution of the approach to the development of countries that have adopted it.

- Secondly, particularly for Rwanda as a developmental state, the country is positioning itself as among the fast-moving economies in the world and has adopted an innovative and knowledge-based economic [2]policy and transformative leadership (Behuri 2020; Biedermann 2016 & Wanat and Potkanski, 2010:182-184). For instance, the LED strategy has been used to inform economic development plans since the launch of the policy in 2000, and much more recently with the national strategy for transformation and prosperity (NST1 2017-2024). NST1 focuses on job creation, agricultural transformation and private sector development among other key sectors (Government of Rwanda, Ministry of Economic Planning and Finances (GoR, MINECOFIN 2017). It is therefore of vital importance to investigate LCF as a contributor to this new economic approach and study how it can become an essential driver for Rwanda's economic growth.

- Thirdly, there is the interest of the knowledge generation. According to Rogerson and Rogerson (2010), beyond South Africa, literature on LED is sparse, despite the increasing interest in this new field of knowledge. LED is an approach with a dual purpose, namely, economic growth and social welfare (see the above definition). As a recent development in the economic field gives rise to "alternative theories" and "mainstream theories" as highlighted in the discussion on LED as a theoretical framework below. It is therefore essential that the

[2] Wanat &Potkanski (2010: 182-184) state that effective leadership is a key factor for the modern knowledge-based economy (see also Rwanda experience in 2.5.2)

present research feeds into knowledge generation by sharing the findings from fresh experience in the developing world, Africa and Rwanda in particular.

In light of the above, this section shows the researcher's underlying motives to undertake the research. It aims at not only informing the ongoing development practices in Rwanda but also feeding into the global knowledge system on development theories and practices.

1.3 BACKGROUND TO RESEARCH PROPOSAL

1.3.1 Rwanda economic growth in two decades after 1994 Genocide

After the 1994 genocide against the Tutsis, more than a million Rwandans perished and its economy shrank to one of the poorest in the world. Life expectancy fell to 30 years and 82% of the population was under the poverty line. The post-genocide period of 1994 to 1998 was used to rebuild the economy and restore peace and stability to the nation that was destroyed socially, economically and environmentally by the genocide and the civil war. From 1988 to 1999, the Government of National Unity sought to develop strategic programmes to reshape the future of the nation (GoR, MINECOFIN 2002).

Rwanda has drafted its ambitious Vision 2020 to shift the country from being a poor to a middle-income country and it currently counts among the world's fastest-growing economies (GoR & WB 2019). To turn this vision into reality, the GoR drafted comprehensive mid-term economic programmes to operationalise the vision. First, the priorities were to reduce poverty with the programme known as Poverty Reduction and Strategic Programme (PRSP 2002-2007)[3] as the first economic programme that was implemented in a post-conflict environment and was to serve as a transition for rehabilitation and national reconstruction from emergency. It particularly contributed to stabilising the country in terms of peace, human development, health and education. The programme helped to bend the poverty curve from 82% to 56.7%. The next programme was known as Economic Development and Poverty Reduction Strategy (EDPRS1 2018-2012) and its objective was to keep the momentum of the PRSP on poverty reduction but also to enhance economic growth. The programme managed to reduce poverty from 56.7% to 49.5% and among the greatest achievements, 1 million Rwandans were lifted out of poverty in 2012 (GoR, MINECOFIN 2013a).

[3] The fiscal year was 2007/2018 (The last year was July 2007-June 2008 before the start of EDPRS1)

After the EDPRS1, came EDPRS2 (2013-2018) which was to help the country move faster towards achieving Vision 2020 (GoR, MINECOFIN 2013a). In this strategy, economic transformation, rural development, accountable governance, productivity and youth employment were the four prioritised thematic areas. Towards the end of EDPRS2 in 2017, the National Institute of Statistics of Rwanda (NISR) conducted an Integrated Household Living Survey (EICV 5) and found that Rwanda had come a long way to achieving Vision 2020, including poverty reduction that fell from 49.5% in 2012 to 38% in 2017 (GoR, NISR 2018).

As stated above, Rwanda has experienced success thanks to combining several sound policies and strategies namely the National Decentralisation Policy (NDP) of 2000 which prioritised citizens' participation and local government empowerment in capacity development, decision-making for local development and financial resources. This GoR policy, implemented by the Ministry of Local Government (MINALOC), inspired the development of other policies and strategies for achieving Vision 2020 (GoR, MINALOC 2000). After the decentralisation policy, a Community Development Policy (CDP) was adopted in 2001 to help implement the NDP. The CDP was reviewed in 2008. This policy established a framework for promoting partnerships in LED to create jobs, increase household incomes and improve service delivery to local communities while generating more revenue for local governments. Later in 2012, the decentralisation policy was reviewed and together with the CDP led to the first national CD and LED strategy (2013-2018). This was to accommodate the pressing needs for the LED on the one hand, but also to help achieve the objective of EDPRS2 while working towards the realisation of Vision 2020 to transform the Rwanda economy as a middle-income country.

According to GoR, MINALOC (2013), the overall objective of the first CD and LED strategy 2013-2018 was to spearhead inclusive local socioeconomic development and poverty reduction among Rwandans. It was built on three pillars: (1) community development (empower citizens for participation; (2) LED (economic growth through Micro and Small Enterprises (MSES) and job creation); and (3) support systems for CD and LED (human capital, development of infrastructure, service delivery and policy coordination as well as private sector development) (GoR, MINALOC 2013). It is important to mention that the CD and LED strategy was updated in 2018 to combine support for the implementation of the national economic strategy for transformation and prosperity known as NST1 2017-2024. NST1 is to cross over Vision 2020 to become the first mid-term

strategy for the national new Vision 2050 leading Rwanda to become a high-income country and create high living standards for citizens (GoR, MINECOFIN 2017). At this strategy juncture (2018), the poverty and extreme poverty fell to 38.2% and 17% respectively (GoR, NISR 2018). The above national policies will be discussed further.

In addition, to achieve the ambitious target of Vision 2020, several additional policies and strategies were adopted and were primarily targeting the private sector development, investment promotion and job creation. To accelerate poverty reduction and sustainable social graduation of the poorest citizens, the GoR established a national social protection policy in 2005 and Vision 2020 Umurenge Programme known as (VUP) as flagship programme supporting PRSP, EDPRS1 & 2 and current NST1. Thanks to these GoR endeavours, poverty was expected to fall under 20% by 2020 [4](GoR, MINALOC 2013 & GoR, LODA 2016). Those are but not limited to the Trade Policy (2006), the National Industrial Policy (2006 revised in 2011), the Handcraft Policy (2006), the National Policy on the Promotion of Cooperatives (2006), the National Microfinance Policy and Implementation Strategy (2007), Strategic Plan for the Transformation of Agriculture in Rwanda (PSTA) (2009), Technical and Vocational Education and Training (TVET) policy (2009), Small and Medium Enterprises (SMEs) Development Policy (2010), Rwanda Craft Industry Strategic Plan (2009-2013), Special Economic Zones Policy (2010, revised in 2018), The Rwanda National Export strategy (2015); the Domestic Market Recapturing Strategy (2015). All the aforementioned policies and strategies have in common "boosting socioeconomic transformation through job creation, revolutionise primary and tertiary economic sectors as well as domestic and foreign investments promotion to enhance Rwanda's competitiveness" (GoR, MINECOFIN 2017; GoR, MINICOM 2010:7).

In implementing these policies and strategies, the GoR initiated several quick-win programmes namely the construction of Integrated Crafts Polytechnic Centres (ICPCs), basic infrastructures namely feeder roads, rural electrification, the construction of industrial parks in each district, to spearhead the LED. Furthermore, in pursuing the decentralisation CDP and LED policies objectives, the GoR commissioned some studies namely the study on district potentialities, where 30 district reports had shown the potential for branding, the attraction of investments, and ease of doing business in Rwanda among other initiatives (GoR, LODA 2013; GoR, 2020). With regard

[4] Poverty was to fall to below 30% by 2018 and below 20% by 2020 but it stagnated at 38% by 2018 as will be highlighted in following sections.

to private-sector and investment promotion and challenges with access to finance, considerable efforts were made: in addition to classical financial institutions and related services, the GoR initiated access to finance programmes in an attempt to remove barriers to SMEs and promote market competitiveness. Some of those initiatives are the Rural Investment Facility through MINAGRI-IFAD which is a matched grant known as "RIF"; the Rural Income through exports programme known as "PRICE"; the guarantee support programme to businesses known as Business Development Fund or "BDF" among others. Similarly, since 2016, the LCF which is a pro-poor matched grant was also piloted by LODA co-funded by the Belgian Development Agency (Enabel). This had the objective to create LED impact by the creation of non-agricultural jobs and local market competitiveness. LCF promotes business partnerships over value chains, inclusiveness, innovation and technology as well as capacity development of local stakeholders for LED impact. Implemented in four poorest districts for further rollout nationwide, LCF was intended to be linked with the districts' economic potential and opportunities that are likely to generate handy revenues; scaling up resource to the disadvantaged people (GoR, LODA 2016). All of these initiatives were to promote inclusive financial access and literacy, as well as a pro-poor approach for LED.

With the above 20-year trajectory, it can be asserted that Rwanda resurrected from the Genocide and subsequent social problems and became a country with an improved socioeconomic status of its citizens. Rwanda had an ambitious economic agenda and vision of prosperity and high living standards of its people. Thanks to different policies, Rwanda set up its vision and necessary economic reforms in various sectors to reduce poverty and vulnerability among Rwandans and promoted LED, which led to significant economic growth and self-reliance. [5]

However, despite the tremendous progress and aspirations for the future, Rwanda faces major issues that contradict or may make its economic vision and strategic positioning too ambitious. Some of these issues are addressed below.

5 Rwanda policy and LED trajectory will be discussed further in Chapter 2.

Issue 1. Inefficacy of LED strategy planning and implementation:

Having understood that Rwanda must rely on the recommended LED approach to address social and economic problems, it is experiencing common problems in LED policy formulation and implementation; poor institutional and strategic coordination at different levels; limited participation and engagement of stakeholders especially the private sector; poor infrastructure; limited skills; and a lack of awareness of LED. Similarly, in the review of the national CD & LED strategy 2013-2018, it was revealed that other critical issues for LED at the local level were limited access to finance, skills and poor regulatory services for the private sector which hampered the local market competitiveness to thrive among other issues (GoR, LODA 2017b; GoR & WB 2019). All these inefficacies lead to a high level of unemployment, informal business and LED strategies not tailored to local contexts which lead to limited solutions to tackle poverty and enhance growth (Meyer 2014; Ritter & Nagy 2017; WB 2017:17-22).

Issue 2. The private sector dominated by the informal sector, and undercapitalised with low growth

According to GoR, NISR (2018: ix-3), despite the increase in establishments up by 23.4% from 2014 to 2017, the overwhelming majority of private companies (91.6%) are micro with one to three employees. Small enterprises stand at 7.2% with four to 30 employees, medium to 1.0% with 31-100 employees, while only 0.2% are large firms with +100 employees. In addition, 92.5% of businesses in Rwanda are informal as opposed to 7.5% formal ones (formal means those registered, complete accounts, employment size 5+, production of foods or services for sale or barter in non-agriculture activities). It is important to mention that despite being limited in proportion, formal enterprises employed 42.6% and recorded a growth of 55.5% against the informal sector, with 58.4% of employed persons with a growth of 21.4% (GoR, NISR 2018). Furthermore, SMEs in Rwanda face myriad challenges including limited access to finance, high-energy costs, low production, inadequate skills and training, low levels of societal trust as well challenges with contract enforcement, among others (GoR, MINICOM 2012).

Moreover, as one of the rationales for the 'Made in Rwanda' Policy (MiR), GoR, MINICOM (2017), identified limited private sector capacity for local economic growth because of a lack of sufficient working capital (32%); insufficient raw materials (27%); lack of skilled labour and

appropriate technology (16%); limited markets (22%); and other reasons (2%). Given this situation, financial empowerment in terms of working capital to the local business remains critically needed especially in rural areas representing 60.4% of the establishments (GoR, MINICOM 2016; GoR, NISR 2018). The study conducted by LODA in 2016 on MSMEs revealed that 47% of rural businesses were operating with working capital below or equal to USD6,000 while NISR revealed that, in general, 76.0% of Rwanda enterprises had working capital of <RWF500 ,000 (USD0.5) [6]while this category overwhelmingly comprised 80.6% of informal companies (GoR, LODA 2016; GoR, NISR 2018). The challenges in private sector development may seriously hamper the pace and attainment of the economic objectives that Rwanda has embarked on if no ad hoc special strategy is put in place.

***Issue 3. Untapped potential and limited private investments*:**

Rwanda has huge potential in each district which are not optimally exploited for LED. According to a recent districts' potentialities, branding and marketing report by RALGA (GoR 2020), the updated potential report in 30 districts described Rwanda as an agro-mining and tourism destination in Africa. Those potentialities include but are not limited to high agricultural productivity in both industrial cash as step crops, marshland and water resources, mining and quarries resources and tourism potential in lakes, parks and forestry as well as attractive biodiversity (GoR2020). As a consequence, the fifth national Households survey known as (EICV5) (GoR, NISR 2018) revealed that poverty in Rwanda has a rural profile (82.2% rural against 17.2% urban) (GoR, NISR 2018). To this end, therefore, the increasing unemployment rate and rural exodus called for integrated measures and inter-sectoral planning to tackle poverty and unemployment at the local level by transforming the abundant local potential into economic opportunities for local wellbeing.

Issue 4. Unemployment and persistent poverty

The GoR, NISR (2014) revealed that the unemployment rate stood at 16.7 %, indicating that for six people in the labour force, one person was unemployed. The unemployment rate was higher among women (17.5 %) than men (16.1%) and higher among young people (21.0%) than among

[6] The exchange rates considered are currencies RWF 1=USD0,0010 in the Thesis refer to Oanda historical rate of 25 October 2020 (https://www.oanda.com/fx-for-business/historical-rates)

adults (13.3%). It was also found to be higher in the urban areas (18.1%) than in the rural areas (16.2%) (GoR, NISR 2014).

This situation is different from the one in August 2016, where the unemployment rate was higher in rural areas (19.8 %) than in urban areas (16.4 %). This confirms the fact that during the low season of agriculture, a substantial number of people who are normally involved in subsistence agriculture in rural areas look for alternative jobs while they are waiting for the next agricultural season. The median duration of seeking employment was only 4.2 months but about 32% of the unemployed were seeking employment for 12 months or more (long-term unemployment) (GoR, NISR 2017).

On the subject matter of unemployment, UNDP (2014) reported that Rwanda's high population growth rate makes structural and inclusive transformation particularly urgent to create non-agricultural and higher-productivity jobs for one of the fastest-growing labour forces in the world. Additional employment opportunities are not only needed for those who enter the labour force annually but also for 1) those who are currently unemployed; 2) those who are underemployed; and 3) those who are classified as the working poor (UNDP & GoR 2014). Non-agricultural jobs are still very few. There is a need to reduce the dependence on subsistence agriculture of Rwandans (currently 72%) (GoR, NISR 2015; UNDP & GoR 2014). The above situation led to the recent Labour under-utilisation[7] in Rwanda which was estimated at 56.0% by EICV5 in February 2017, a slight reduction from 62.3% in February 2016 (GoR, NISR 2018). The recent study on the effectiveness of Rwanda Special economic zones policy on job creation had revealed that isolated and fragmented industries cannot guarantee sustainable exports and employments generation (Mbonigaba 2019: 1-3).

To sum up, we can assume that the above challenges might why Vision 2020 was not fully achievable and the same analysis may lead to a pessimistic view of the achievement of Vision 2050. It is against this background that the present research seeks to investigate how the private sector, dominated by the informal sector, once incentivised with improved access to finance and capacity-building of domestic enterprises, can boost or transform LED in Rwanda.

[7] Underutilization by definition means the aggregate rates of unemployment and potential labour force with time-related underemployment (NISR 2018)

1.3.2 Overview of Local Competitiveness Facility Programme (LCF)

The LCF is a programme under LODA management with the support of the Belgian Development Agency (formerly known as Belgian Technical Cooperation (BTC) and currently called Enabel, since 2018). Though the LCF is a duplicated model from South Africa, it has been contextualised to Rwanda. It has been proposed as one of the solutions to economic challenges (see 1.3.1) particularly as an answer to critical issues faced by private enterprises, namely, limited business skills, limited capital and lack of synergy and high cost in business which *ipso facto* form the base for LCF change factors: grants, partnerships and capacity-building. More details will be provided later in Chapter 4.

According to LODA and BTC (2017), the initial design of the LCF is a matched grant and capacity-building mechanism to fund innovative partnerships between local businesses to achieve the following objectives:

- To fund innovative project ideas in the area of value chain development to mitigate cost and risk barriers that inhibit the development of innovative private-sector partnerships;
- To fund partnerships between micro, small, medium and large companies and /or cooperatives;
- To fund projects that were to make a positive LED impact; and
- To fund projects that make a real pro-poor impact (LODA & BCT 2017).

According to LODA and BTC (2017, 2018), the LCF pilot phase which is subject to the present assessment was launched in Nyagatare, Gisagara, Gakenke and Rutsiro Districts of Rwanda in November 2016 (Call for proposals 1 or Call 1) while the second call (Call 2) was launched in November 2018 in the same districts. At the study period, both Calls had mobilised 702 projects while 82 did not meet the relevant criteria for the project.[8] The funded partnership projects are in four value chains, namely, agro-processing, handcraft, tourism, information and communications technology (ICT) and related services (transport and distribution) (LODA & Enabel 2018). As stated in the objectives, the present study seeks to assess the LED impact of LCF interventions in both Calls across the recipient companies and districts.

[8] The selection stage and criteria are described in the LCF chapter.

1.4 PROBLEM STATEMENT

With the above background, Rwanda is a country that made tremendous progress in economic growth and poverty reduction in the past two decades[9]. However, notwithstanding the foregoing transitioning visions and economic plans, Government determination and ambitious targets, UNDP (2018a) classified Rwanda among the poorest countries and lowest HDI countries (157^{th} /189)[10]. Rwanda still has a long way to go and its plans remain ambitious but they are critical for the success of the nation. Rwanda failed to flatten its poverty and it seemed to be stagnating towards the end of 2020[11] coupled with persistent rural-urban inequalities. Rwanda has not achieved its ambition in job creation since only 125 000 jobs were created in the last mid-term programme of Vision 2020 (EDPRS2) against the target of 200 000 per annum. Similarly, Rwanda under-achieved its target for becoming a middle-income country by 2020 because the set target seemed to have shifted to the end of NST1 (2024)[12] (GoR, MINECOFIN 2018).

Furthermore, as analysed above, wise and professional implementation of LED strategy coupled with private sector development must drive the transformation that Rwanda needs to achieve its ambitious vision. The GoR and WB (2019) in determining the future drivers of growth for Rwanda were optimistic that Rwanda can make it based on its positive past, namely experience, homegrown solutions, leadership and determination. They estimate that to achieve Vision 2050, Rwanda must shift its current capital growth target of 4% to 10% per annum and grow faster than China or the Republic of Korea at similar economic stages of their development (GoR & WB 2019).

It has been said above that Rwanda still has economic opportunities, namely: local potentialities that are not optimally used; transformation of the informal sector with the necessary support to domestic enterprises; and market competitiveness development that ensures their potential to create jobs and incomes and bring rapid socioeconomic transformation.

9 From 2000 with the adoption of the Decentralization Policy and Vision 2020 to date (2020).
10 (UNDP 2018: 25-29).
11 In 2000, Rwanda targeted to flatten poverty and extreme poverty in 2020, from 60 and 40% to <0% and 20% respectively. Again Extreme poverty and poverty stagnated; from 16.2% to 16.0% and from 39% to 38.2% respectively from EICV4 (2014) to EICV5 (2018), there was a slight decrease in this period.(MINECOFIN 2018; NISR 2018; UNICAF 2018)
12 By 2020, GDP was projected to be US$ 1,240 and falls to US$ 774 (in 2018) while NST1 project GDP per capita to be USD1,320 by 2024 (MINECOFIN 2014 & 2018:24-34 & WB 2014).

There is, however, a compromising context between two phenomena, which are essential for change and inextricably linked together: (1) a relatively new LED strategy that is poorly implemented; and (2) private sector development which is supposed to be the engine for economic development. These are hampered by many challenges such as being predominantly informal with limited growth, poor access to finance, lack of skills and limited access to markets, among other hindrances.

In this regard, and as seen above, LCF as a matched grant under pilot phase in Rwanda since 2016 has been contextually designed to play a catalytic role in LED in the short and long term at the district level, namely for non-agricultural job creation and local market competitiveness. LCF has been designed to become a solution for domestic enterprises, namely promoting business partnerships over value chains;[13]financial inclusiveness for micro and informal businesses partnerships; innovation and technology; and capacity development for local stakeholders. For this reason, LCF has been included in the key Rwandan LED policy actions and is expected to be rolled out nationwide.[14]

Moreover, it is important to note that the LED field still has a huge knowledge gap in SSA apart from South Africa (Rogerson & Rogerson 2010:). For instance, in Rwanda, some LED resources exist and yet sufficient knowledge is critically needed to inform the national initiatives. Alternatively, it is said that in both developed and developing worlds, direct intervention in terms of grants to SMEs is a common phenomenon, very little is known about the impact of this financial support (Cravo & Piza 2016; Dvouletý, Srhoj & Pantea 2020). Similarly, there is limited knowledge in Rwanda on the impact of industrial development and their contribution to employment generation (Mbonigaba 2019:3). Notably, for the LCF programme so far, apart from internal monitoring and evaluation reports, no single study has yet been carried out on the entire programme[15] to assess LCF effectiveness and impact on LED as well as to inform the future programme scalability of this policy instrument in Rwanda.[16]

For this reason, the main problem of this research is the following:

[13] This was to reduce risk barriers and the cost of doing business by promoting the economy of scale through
[14] LCF started in 4 pilot districts and has been adopted as policy action and national LED strategy action to be rolled out national wide (National CD a & LED policy 2019 and National CD & LED strategy 2019/ MINALOC 2019)
[15] Both LCF calls for proposals 1 and 2 in the period of 2016 to 2020.
[16] Since 2018, LCF has been made one of both national LED & CD Policy and LED & CD Strategy actions

How can LCF ignite Local Economic Development in pilot districts of Rwanda?

Following this research problem, the research objectives and questions are set out in the next section.

1.5 RESEARCH OBJECTIVES AND QUESTIONS

The general objective of this research in line with the above problem is to assess whether LCF is an appropriate model to ignite LED through supporting local business. The specific research objectives in line with the research question are as follows:

1. To understand and conceptualise the LCF model and show its place and relevance to Rwanda's current LED policy environment

Key questions:

a) What are the typical characteristics of LCF-supported-companies?
b) What does LCF design look like?
c) How does LCF design fit, inform or converge with Rwandan economic policy?

To achieve this objective, the LCF model is comprehensively described: its design and implementation, as well as its place in national policies and strategies, will be succinctly analysed and presented[17]

2. To assess the impact of LCF on local economic impact in target districts.

The subsequent key research questions are as follow:

a) To what extent does LCF create income and employments through local enterprises? (see 6.3.1)
b) How does LCF spearhead the growth of local enterprises as growth poles? (see 6.3.2)
c) To what extent does LCF increase districts' economic growth? (see 6.3.3)
d) How does LCF cater for pro-poor and inclusive objectives? (see 6.3.4)
e) How does LCF improve local people's livelihoods? (see 6.3.5)

[17] Objective 1: It is found in its specific chapter 4 and is further addressed in results Chapter 6 (6.1 & 6.2) and in Chapter 7 which presents the findings and conclusions.

To achieve this objective, there was an assessment of the impact of LCF implementation on job creation, local businesses development, pro-poor objectives and inclusivity as well as its impact on the economic growth of the targets districts[18]. LCF economic growth and welfare are both measured as both are core characteristics of the LED approach.

3. To assess the weaknesses of the LCF current model and propose the most appropriate model for LED in Rwanda's policy context.

Key questions

a) What are the criticisms of LCF design and implementation and the results?
b) What are the possible improvements in design and implementation practices that can increase the LED results?

This research falls under social science. Its exploratory and explanatory nature confers to it the social problem-resolving characteristic.[19] Therefore, this objective seeks to investigate the current LCF model and propose possible adaptations for its suitability to the prevailing political and LED context, hence for maximum LED impact generation/delivery[20]. Relevant empirical studies have been compared to the research theoretical framework informed by empirical findings to come up with a suitable proposal for the most appropriate LCF model for the Rwandan context.

1.6 RESEARCH METHODOLOGY

1.6.1 Research Paradigm

This research seeks to investigate the role of LCF in enhancing LED in the Rwandan context and LED aspires to improve the "quality of lives for all". Hence, the research falls under social sciences. It seeks to investigate how poverty and economic growth issues can be addressed and it is, therefore, an applied science. As far as epistemology positioning is concerned, the present research falls under interpretivism because the findings are interpreted according to the knowledge and experience of the researcher.[21] Therefore, this research is qualitative in its design and uses an inductive process to arrive at the findings. It is not based on a predetermined hypothesis. The study

[18] Objective 2: It is found in Chapter 2 on the Rwandan background; Chapter 3 on theoretical perspectives on LCF, then LCF per se in Chapter 4 and further in Chapters 6 (6.4, 6.5, 6.6 & 6,7) and 7.
[19] See research paradigm and epistemology (Methodological Chapter)
[20] Objective 3 is addressed in Chapter 4 in preliminary discussion of the model and further in Chapters 6 of findings (6.8) and 7.
[21] The researcher holds a Master's in Development Studies, with 14 years' experience in the development field.

used a mixed-methods (MM) approach, namely a hybrid of a qualitative approach with multi-method triangulation and quantitative approach. In other words, the research methods are comprehensive because MM is recognised as lending accuracy and validity to the research. The research is primarily based on the grounded theory method:

1) It uses flexible methodological strategies for data collection;
2) It uses inductive reasoning since it consists of systematic data collection and evidence-gathering to support the conclusions; and
3) It conceptualises data collection analysis and integration of qualitative data and therefore makes qualitative research legitimate as a scientific inquiry.

Furthermore, considering the research design, it is primarily explanatory and exploratory because it is focused on LED and LCF in Rwanda and seeks to carry out an in-depth assessment for a better understanding of the phenomenon. The research is also comparative since it compares location and other variables under research namely economic sectors, and business types among others.[22]

1.6.2 Empirical Methods

In line with the aforementioned paradigm, the researcher used an MM approach to enhance the legitimacy of the research. The research relies on both primary data from field and observations and secondary data from desk research.

1.6.2.1 Secondary sources

Among the secondary sources are tacit knowledge[23] from LCF project design to implementation documents, M&E reports as well as other sources in line with the phenomenon, related theories and other research findings.

1.6.2.2 Field data collection

The primary data were gathered from field data collection in four LCF pilot districts. Methods included online questionnaires with ODK capturing numerical data for LCF-beneficiary

[22] The research paradigm will be discussed in detail later in the Methodology Chapter.
[23] I (Author) was one of the LCF Senior staff (National Technical Adviser for LED with LCF administration and national LED strategy implementation at the local level). Therefore, the researcher was part of the programme cycle; from design, implementation and knowledge management phases.

businesses and their staff and FGDs made up of beneficiaries in groups of 8 to 12 members who responded to the interview questions. Another approach/method was the KIIs also in the form of semi-structured interviews carried out with the districts' project managers, authorities, national staff of LCF secretariat and central-level policymakers as well as project donor senior staff (Enabel).

1.6.2.3 Data analysis and interpretation

The data was analysed with a triangulation technique in line with the MM approach. Quantitative data was analysed with Excel and SPSS following the set data analyses framework, and qualitative data was obtained from interviews scripts which were also analysed and helped to understand and complement the quantitative figure outputs. The findings and interpretation were then combined to answer the research question.[24]

1.6.3 Ethical Considerations

The present research met the basic ethical principles. Firstly, it was officially conducted since it followed the research procedures of UNISA and the Republic of Rwanda. Before field data collection started, the researcher applied for UNISA ethical clearance, which allowed the researcher to go to the next stage of data collection. Similarly in Rwanda, a formal request was made and was officially approved by competent district authorities (See individual request and approval for research in four districts in Appendices 7 and 8). Secondly, the research respected the autonomy and dignity of persons by obtaining voluntary informed consent from research participants (see Appendices 9&10). In the same manner, respondents for both questionnaires and interviews (FGDs and KIIs) (Appendices 11&12) fully expressed their informed consent and voluntarism by agreeing to sign and share with the researcher's research team of assistant data collectors their names and contacts before proceeding with data collection. Thirdly, the researcher observed the confidentiality and privacy of the respondents and their answers and assured them that no harm would come to them and that only average figures would be used after combination and individual data analysis.

[24] Empirical methods are discussed in greater detail in the chapter on Methodology.

1.6.4 Quality of the Research

The quality of this research lies on many factors: first, the researcher's knowledge, experience and background which is positive on the research subject knowledge[25] uncovering and discussion. The researcher was working as National Technical Advisor on LED in Rwanda at LODA, an institution in charge of national LED strategy implementation, and therefore the LCF programme administration and management are its responsibility. The researcher (already holder of a Masters' Degree in Development Studies) has more than 10 years' experience in domestic enterprise development. He has particularly been part of the national team for LCF design and administration, and responsible for LCF programme management in two out of four LCF pilot districts (namely Rutsiro during Call 1 and Nyagatare during Call 2). He is therefore knowledgeable about LED processes in Rwanda and the LCF programme in particular and is, therefore, able to contextualise and interpret the research findings in an appropriate manner. However, on this aspect, to the best of his ability, the researcher avoided all forms of subjectivity namely using triangulation for not influencing the findings. His knowledge and experience were used with objectivity in interpreting the findings in an attempt to understand the phenomenon under study. Second, the research design used an MM approach with triangulation which maximises the quality of the findings. Third, a representative sample with a 95% confidence interval ensured the statistical legitimacy and validity of research findings. Fourth, the adherence to ethical research values as described above led to acceptable research findings.

1.7 SUMMARY AND RESEARCH OUTLINE

The research consists of nine complementary chapters as follows: The first chapter covers an introduction to the research, the background, the problem statement, the objectives and research questions, an overview of the research methodology used, its validity as well as the ethical considerations.

The second chapter covers the background of Rwanda. It describes Rwanda's history, geography and LED trajectory to inform and serve as the base for the rest of the research. The third chapter covers the LCF which is subject to evaluation throughout the research. In conceptualising LCF, the chapter exposes the design, governance, and implementation and related emerging issues that

[25] This is a qualitative study using an interpretivism paradigm (see methodology in 5.3)

provide the motives for the present research. The fourth chapter sets out the theoretical framework. This serves as a compendium of development studies and relevant development theories, and it describes the guiding research theories and their alignment with the LCF model for LCF to be evaluated in the context of LED. The fifth chapter describes the methodology used for the research. It covers the research paradigm and research philosophical positioning, types of data, empirical methods used and justification as well as data analysis and interpretation. The same chapter also addresses research legitimacy, validity and reliability. The sixth chapter covers the research findings, their analysis and discussion. It critically analyses the LCF programme in terms of its design, execution and impact, tailoring it to the guiding theories and views of the respondents. This paves the way for the seventh chapter in which conclusions are drawn in an attempt to answer the research questions. It also critiques the current LCF design and implementation and proposes a possible new model for maximising LED impact. The chapter also provides recommendations informed by the findings.

CHAPTER 2: RWANDA'S SOCIO- AND MACRO-ECONOMIC CONTEXT AND POLICY ENVIRONMENT

2.1 INTRODUCTION

This chapter gives a brief background to Rwanda as well as to the history of LED in Rwanda. It seeks to give a brief overview of Rwanda, its historical background, geography, demography, macro-economic structure, economic performances and trends, social-economic aspects, development potential as well as key economic policies and the LED trajectory in particular. In this regard, the chapter seeks to describe the country, its resources, its people, the governance and economic choices and the progress made so far. This information makes this chapter a core part of this study and further serves as a base for measurement or alignment of development theories and research findings.

2.2 HISTORICAL BACKGROUND

The researcher found helpful information about the history of Rwanda in the work of the Commonwealth Secretariat (2019) on Rwanda's background where they suggest that before colonisation, Rwanda was a sovereign nation sticking to its customs and culture and well organised politically and socio-economically. From 1899, Rwanda became part of German East Africa. After the defeat of Germany in World War I, Rwanda was placed under Belgian administration and from 1920, became part of UN trust territory known as Ruanda-Urundi. Rwanda was still under the Belgian administration after WWII until independence in 1962. Due to colonisation, irreversible changes affected Rwanda's leadership, society, economy and culture.

Rwanda's history was marked by conflicts and wars during the years after colonialism. Before that period, Rwanda was governed under a monarchy of a succession of Tutsi kings and Tutsi, Hutu and Twa lived in symbiotic harmony. It is therefore important to note that from 1959 to 1962, the ethnic divisions sowed by colonial powers (divide and rule) sparked social conflicts between the majority Hutu and the minority Tutsi which led to killings and exile of Tutsi in 1962 after independence, and in 1973 in the Second Republic term that led to the climax of the genocide against Tutsi of 1994 (Byanafashe, 2006). Since independence (1962), Rwanda has been a

multiparty democratic state. It is a republic under the leadership of a president[26](GoR 2003; GoR, UNESCO, SIDA 2017).

2.3 GEOGRAPHY AND NATURAL RESOURCES

Rwanda does not have a good geographical positioning for the economy as it is a land-locked country located in East-Central Africa. Rwanda lies between 1°4´ and 2°51´ South latitude, and 28°45´ and 31°15´ east longitude and covers an area of 26 338 km^2, while its altitude varies between 900 m and 4 507 m from East to West. As of November 2018, Rwanda had a population of just over 12 million meaning 539 inhabitants per km^2 which is the highest population density in Africa. It is bordered by Uganda in the North, Tanzania in the East, Burundi in the South and the Democratic Republic of Congo in the West. Rwanda's administrative structure comprises four provinces (Eastern, Western, Northern and Southern Provinces) and the City of Kigali, each subdivided into 30 districts (GoR, MINECOFIN 2017; GoR, NISR 2018; Twagiramungu 2006; Sirven & Gotanegre 1974).

Rwanda enjoys a tropical climate moderated by hilly topography (and is often tagged as the "country of thousand hills") stretching (1 000 m – 4 507 m from the sea level) from East to West where the annual mean temperatures range from 22° C to 14 °C in the volcanic region. The total annual rainfall varies between 750 mm in the Eastern region to 1 600 mm in the North-Western region of the country which is also a volcanic region (Ilunga, Muhire &Mbaragijimana 2004; Muhire, Ahmed &Elbasit 2015).

). Rwanda has 23 lakes and several rivers flowing into the River Nile Basin. The favourable climate, soil and rich hydrography offer Rwanda a huge agricultural and tourism potential thanks to abundant water resources. Rwanda produces main food crops of maize, wheat, rice, beans, Irish potatoes, cassava and cash crops for export including coffee, tea, horticulture and pyrethrum (GoR, MINAGRI 2011; GoR, MINECOFIN 2017:3).

As far as tourism potential is concerned, Rwanda has five national parks and five volcanoes including the Virunga volcanic mountains, and the altitude forest hosting the world-famous mountain gorillas, which attract many tourists. Lake Kivu showcases the country's beauty in the

[26] More details on the economic trajectory and strategy will be discussed later.

Western part of Rwanda with huge tourism potential. The country has dense equatorial forests, tropical savannah and wetlands in the Northwest and East respectively. In addition to tourism potential, Rwanda has minerals such as wolfram (tungsten), coltan (tantalum) and cassiterite (tin) as well as non-traditional minerals (GoR & UNDP 2017; Mwai 2018).

2.4 SOCIO-DEMOGRAPHICS

2.4.1 Population trends and impact on economic growth

Population growth in Rwanda is a genuine policy concern and is part of the reason for the inertia for economic growth. It doubled from 4.8 Million (M) in 1978 to 10.5 M in 2012 and currently is 12.9 M (January 2020) while is projected to become 17.9 M in 2035 and to 23.0 in 2050. The fertility rate of Rwanda in births per woman is significantly reducing over the years. It shifted from 6.1 to 4.2 respectively in 2005 to 2015. The annual growth rate is 2.4% (GoR, NISR 2018; NFPA Rwanda 2017; UN 2020). According to the Index Mundi report on Rwanda population (2016), the pyramid shows the youngest group age at the bottom, which can be translated into labour force competitiveness and consumer market: the children's group age of 0 to 14 is 41%, 25 to 54 age group represents 33% while 55 and above age group represents 3%. In practical terms, Rwanda has a sustainable potential labour force of 53% of its population including early production (19%), prime working age (33%) and mature working age (1%). The following graph summarises the age structure:

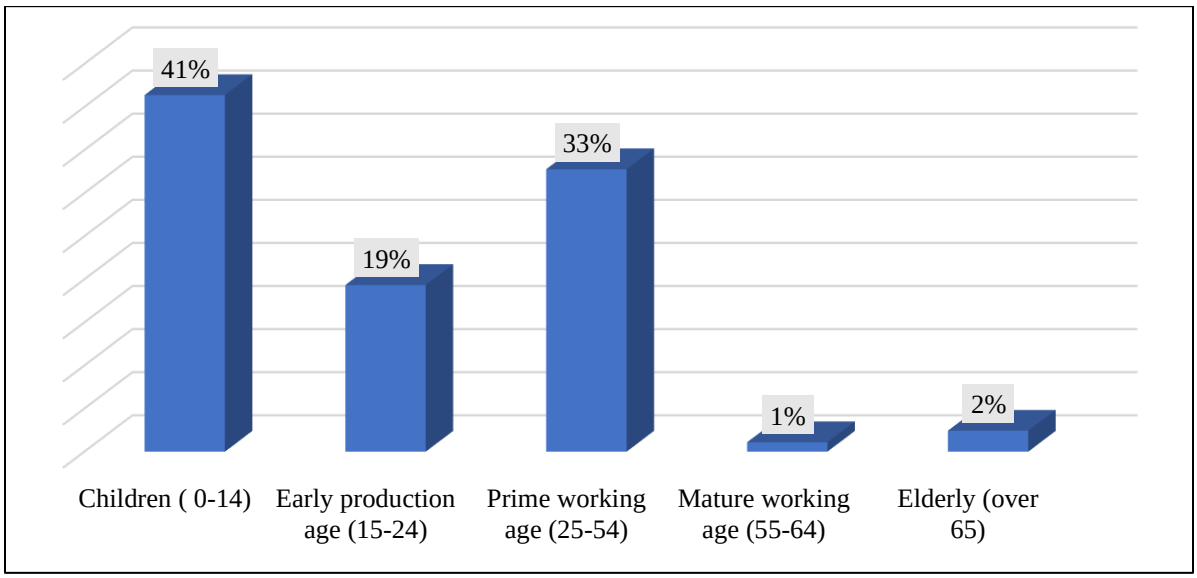

Figure 1: Rwanda population age structure 2016 (%)

Source: (Index Mundi data of 2016)

It is worth noting that the recent study on the impact of population growth on economic development in Rwanda from 1974 to 2013 has shown that in long term, population growth had a positive impact on economic development. They argue that therefore, the Rwanda population growth rate should be controlled to match with economic growth (Sekbikabu et al. 2000).

2.4.2 Health Status and Pandemics

The overall objective of LED is "*Improved lives for all*" which means decent health and inclusive access to health services by all citizens. Health issues affect the national economy, especially the LED. The health sector keeps improving in Rwanda. The health insurance coverage shifted from 46% (in 2006) to 70% (in 2012) to 74% in 2017 [27](NISR 2015, 2018). The mortality rate per 100,000 lives ratio (MMR) drastically reduced from 1995 to 2015 from 1260 to 290 respectively which is higher than the world average (2016), developed regions (12) but again lower than the developing world (239), SSA as a whole (546) and remains the lowest in East Africa (WHO 2017). The research also found helpful information on the World Health Organisation (WHO 2019) appreciating Rwanda as a referral health system and a beacon of universal health coverage in Africa by exemplifying significant developments in different aspects namely vaccination, health insurance etc. The following graph shows the Rwanda trends from 1995 to 2015.

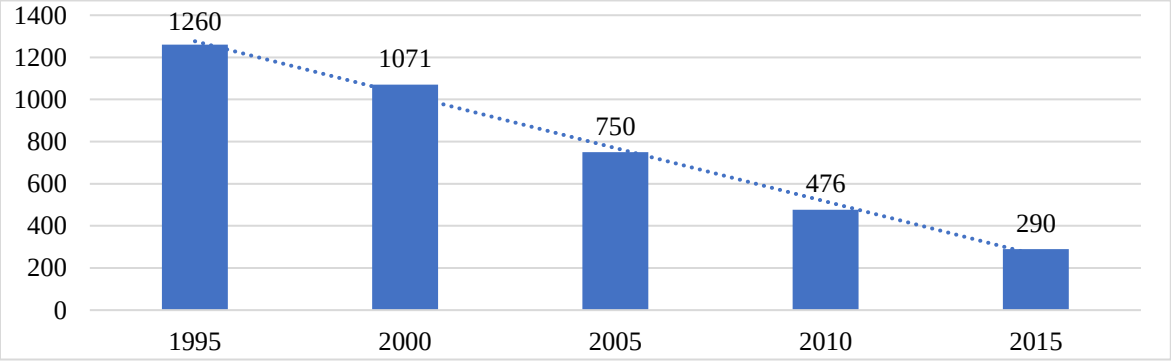

Figure 2: Mortality rate (MMR) in Rwanda from 1995 to 2015

Source: (GoR 2014:1-2; GoR 2017; WHO 2017:17; WHO,2017)

[27] We will compare the national average with the average access with LCF beneficiary-Households in Chapter 6.

It is important to note that the increasing improvement in social conditions positively impacted the life expectancy at birth from 51.2 (in 2002) to 67 (in 2018). Figure 3 shows the details.

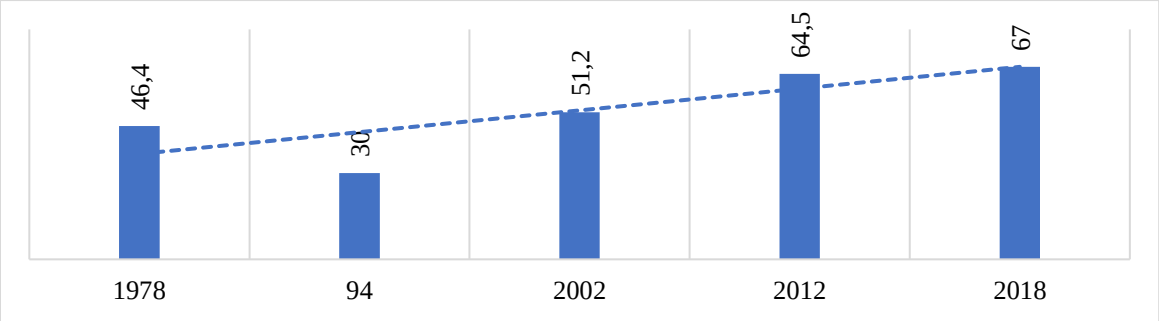

Figure 3: Life expectancy at birth from 1978 to 2018

Source: (GoR, MINECOFIN 2002, 2018; GoR, NISR 2018)

2.4.2.1 Stunting and malnutrition

Despite positive records and exceeding The Millennium Development Goals (MDGs) (UN 2000), Rwanda is still plagued by persistent food insecurity, malnutrition and stunting issues. According to WB (2018) and World Food Programme (2018b), it was revealed that stunting[28] dropped from 50% to 38% from 2005 to 2015 respectively but remains persistent: >30% even >40% in some districts up to 2017. The causes of malnutrition are linked but not limited to household poverty (Can be >50%), then to mothers' education level, limited breastfeeding, limited access to clean water and food adequacy among other factors. In addition, about 50% of households expressed difficulties in accessing food at some point, the majority being in rural areas including 26% who reported fragility linked to seasonal and climate-related difficulties among other challenges (WB 2018a; UN 2018b).

2.4.2.2 HIV/AIDS and its incidence on Local Economic Development

From 2001 to 2017, around 40 million people[29] worldwide live with HIV/AIDS and more than 70% are located in SSA (28.1M). It is important to mention that besides the human cost, HIV/AIDS profoundly affects the macroeconomy and complicates current and future coping mechanisms of

[28] Chronic malnutrition causes children to grow too slow
[29] UNAIDS REPORT 36.7 Million infections in 2016. Among about 5000 new HIV infections, 64% are in sub-Saharan Africa (UNAIDS 2017: 12-13) https://www.aidsdatahub.org/sites/default/files/publication/UNAIDS, accessed January 20th 2020.

countries. The pandemic illness is the leading cause of women's death in the reproductive ages (15-49) and has reduced the national population growth across Africa by 2% to 4%. It reduces the labour supply and productivity, increases imports of expensive health care goods at reduces exports, which increases the deficit balance of the affected economies (Dixon, McDonald & Roberts 2002; UNAIDS 2017).

Rwanda has not escaped the situation. The pandemic was observed annually from 1985 to date and statistics varied over the decades with the peak of 6.5% of HIV prevalence in 2000. It is important to note the gender differentiation on the pandemic due to cultural women submissiveness: 62% of affected people are women compared to 38% of men (GoR, Rwanda Biomedical Centre [RBC] 2015; UNAIDS 2017). According to GoR, RBC (2019) in the recent Rwanda population-based HIV Impact Assessment known as "RPHIA", the HIV prevalence stood at 4.8% and 2.5% in urban and rural areas respectively (GoR, RBC 2019b). The significant downwards trend since 2000 shows the commitment of the GoR; however, effort and continuous mobilisation are required given its impact on health and the economy especially on youth and the labour force respectively. Figure 4 shows the trends since 1980.

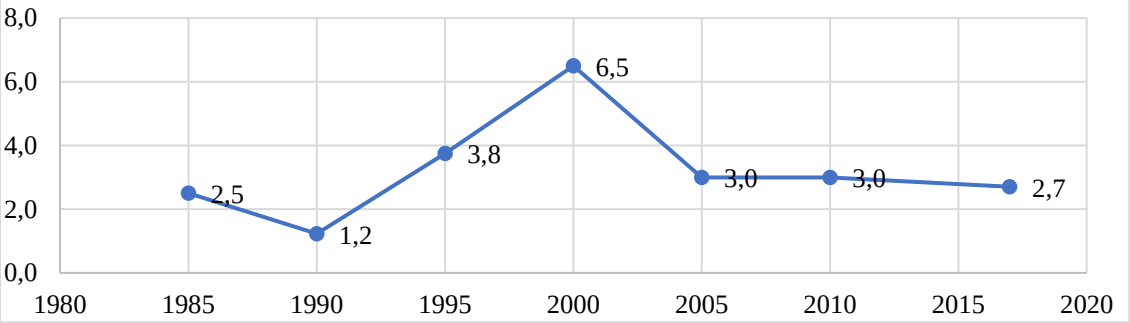

Figure 4: HIV prevalence in Rwanda from 1985 to 2017

Source: (GoR, RBC & UNAIDS 2015; UNAIDS 2017,)

2.4.3 Education

The Government of Rwanda committed to investing in the quality of human resources by enhancing human capability through education by 2024 which is Priority Area 4 of the Social Transformation Pillar under NST1 2017-2024 (GoR, MINECOFIN 2017).

According to GoR, NISR (2018), the education sector in Rwanda comprises different stages: pre-primary, primary, secondary and higher education. The EICV5 (2016/17) reported that 87.2% among the age group 6+ have ever attended a school, while the net attendance rates for primary and secondary school are 87.7% and 24.3% respectively. The literacy rate among people aged from 14 to 24 was 86.9% while 13% are not literate due to early dropout or not having gone to school (NISR 2018). In addition to primary and secondary education, another strategy for education transformation is TVET which was proposed at both secondary and higher learning levels. Rwanda established the Rwanda Workforce Development Authority (WDA) to support the TVET for enhancing skills and competencies of the labour force in Rwanda, which contributes to higher competitiveness and employability. Already in 2013/2014, 340 TVET schools were created and 83 893 trainees enrolled for different types of training. The same report stated that admitted and graduated students in TVET increased significantly from 2011(11 315 and 7 547) to 2014 (20 937 and 16 350) respectively (GoR, MINECOFIN 2017). The NST1 (GoR, MINECOFIN, 2017), expects to address structural unemployment in the labour market by boosting TVET students from 31.1% in 2017 to 60% in 2024 by increasing the number of TVET schools from 392 to 405 schools between 2016 and 2024 (GoR 2017)[30].

2.4.4 Household Characteristics

Household (HH) characteristics, wellbeing, access to amenities and ownership of assets are the key indicators for wellbeing and other poverty measures. Since the Genocide, Rwanda has made remarkable progress in household conditions and fixed high targets with NST1 by 2024. To start, GoR, NISR (2018) in EICV5 reported that the size of the Rwanda HH members reduced from 5 in (2005/6) to 4.6 in (2013/14) to 4.2 in (2017/18). The same reports show that access to clean water and sanitation shifted from 87.1% to 87.3% to 100% respectively and this access to clean water is expected to be global (100%) up to 2024. Similarly, access to the internet shifted from 9% in 2014 to 17% in 2017 while internet subscriptions on Mobile broadband are projected to shift from 28% in 2017 to 47% by 2024 (GoR, NISR 2018; GoR, MINECOFIN 2018). Other household characteristics are described below.

[30] We will analyse further in the findings chapter how LCF supported enterprises contributed to reducing different types of unemployment both skilled and unskilled labour.

2.4.4.1 Savings

The GoR, NISR (2018) in EICV 5 showed that the percentage among the population aged 18+ with a saving account was 29% while the households that at least had a saving account comprised 56.3% (GoR, NISR 2018; UNDP 2018). However, there is a mismatch between national investments and savings: Rwanda invests 30% annually while savings vary between 10% to 12.1%.[31] This mismatch Calls for public mobilisation to increase savings and investments to reach the requirements of 16.6% and 23.9% respectively in 2020 and 2024 (GoR, MINECOFIN & WB 2019; GoR, MINECOFIN 2019).

2.4.4.2 Energy

Access to energy for lighting from both grid and /or off-grid sources recorded a sharp improvement from 22% in 2014 (EICV4) to 35% in 2017 (EICV5) and it is expected to be 100% by 2024 (GoR, MINECOFIN 2017; GoR, NISR 2018). The NISR (2015) reported that 67% and 94% of HH used charcoal and firewood as a source of energy in urban and rural areas respectively (GoR, NISR 2015).

2.4.5 Social Protection

Concerning social protection for vulnerable households, the Government of Rwanda (2011) has set up a national strategy for the social protection sector with the objective of contributing to poverty reduction and vulnerability and promoting equitable growth by ensuring a better quality of life for all Rwandans. Social vulnerability is disproportionately affecting some categories of the population, namely, old people, persons living with disabilities, young children, genocide survivors, female-headed households and the historically marginalised groups[32] (GoR, MINALOC 2011b). Social protection follows four principles: *Protective:* providing the essentials to vulnerable households; *Preventive*: to stop the poor falling into poverty; *Promotive:* supporting peoples' investments to pull themselves out of poverty; and finally, *Transformative:* improving the social status of the poor through access to finance (start-up businesses) (GoR, MINALOC 2013).[33]

[31] In Key statistics on Rwanda 2019, MINECOFIN reported domestic savings to stand at 12.1% (GoR 2019a)
[32] These are also known as indigenous people (the Batwa communities). Most of these vulnerable groups under social protection are located in Category 1 (majority) and Category 2 of UBUDEHE Rwanda social categorization
[33] Social protection strategy has the same aim as LED "improved lives for all", a pro-poor approach and is typically inclusive which are among the characteristics of LED and its application (Pro-community and pro-poor application of LED). See the theoretical framework of LED in the next chapter.

The Vision 2020 Umurenge Programme (VUP) is a national programme put in place by the government to catalyse changes in the socioeconomic livelihoods of the poor from social vulnerability to sustainable welfare. The Financial Service programme (FS) programme under VUP as one of implementing strategies of EDPRS 1 & 22 was expected to reduce extreme poverty from 24% to 9% and poverty from 45% to below 30% by 2017/18 which was not the case. Up to 2017, the proportion of poorest households in Rwanda's lowest social categories known as *Ubudehe* 1 and 2 were 25% and 18% respectively (GoR, NISR 2018: 107). The FS programme comprises three main extreme poverty reduction programmes, namely, Direct Support, Public Works and Financial Services. VUP goal is to uplift the poor in *Ubudehe* Categories 1 & 2 from extreme poverty by availing affordable loans to concerned individuals and groups interested in small businesses to quickly graduate out of poverty, create jobs and thus spearhead LED. Since its launch in 2009, the FS programme has been piloted in 270 out of 416 sectors (65%) countrywide.[34] It achieved commendable results and helped groups and individuals to get out of poverty. In this regard, the FS contributes to rural poverty reduction, equitable growth and economic transformation. With LED being a process, the social protection FS programme as a bridge and engine for change seeks to transform the vulnerable and marginalised poor into people of wellbeing and sustainable livelihoods through gradual steps of protective and preventive steps to promotion, and transformation steps towards sustainable welfare. Implemented in 263 pilot sectors, the VUP/FS programme reached 93 259 beneficiaries nationwide while 38 735 individual loans, 4 306 group loans and 276 loans to cooperatives were given for self-help and start-up projects. Thanks to VUP and other programmes, one million were lifted out of poverty in EDPRS1 (2008-2012) albeit that poverty persisted in 2017 (38%) (GoR, LODA 2018a; GoR, NISR 2015, 2018). According to GoR, MINECOFIN (2017), to eradicate extreme poverty by 2024, the GoR expects that multiple interventions under the economic transformation pillar of NST1 are to offer decent jobs, incomes and savings while social protection for the pro-poor and inclusion is expected to be complementary to allow accumulation of assets[35] and resilience to shocks for vulnerable categories (GoR, MINECOFIN 2017).

The UNDP (2018a) report on Human Development Index (HDI) classifies Rwanda among the low HDI countries (157^{th}/189). It changed from 0.250 to 0.485 to 0.524 respectively in 1990-2010 and

[34] A sector is the third level of administrative units. Sectors are administrative subdivision under a district and Rwanda is made of 30 districts
[35] Combination of both one cow per family and small livestock transfer & Minimum Package for Graduation (MPG) etc.(GoR 2017: 11)

2017. However, Rwanda was the first country in the world to make a significant change in HDI from 1990 to 2017 (with a positive change of 2.78) followed by Mozambique at 2.77 for the same period. The UNDP ranks Rwanda 56 out of 189 in terms of human security, which is a good position, higher even than many of the very high and medium HDI countries (e.g., Norway 100th, Belgium 100th, and South Africa 113th) (UNDP 2018a).

2.4.6 Labour Force and Economic Activities

The labour force, by definition in Rwanda's context, refers to all persons aged 16 and above who are engaged in any goods production and service provision activity in exchange for pay or profit (GoR, NISR 2017). According to GoR, NISR (2018), in Rwanda, the workforce to population ratio (the employment rate) was stable in the last 10 years (from 84 in EICV1 2001/2 to 86% in EICV5 2016/17), but 8% of youth (16-24 age) reported not working due to lack of jobs which doubled from 4% in EICV1 (GoR, NISR 2018). This is particularly interesting for LED as this group provides huge potential for labour availability and productivity for Rwanda. However, Rwanda critically needs to invest in secondary and tertiary sectors for job creation in Rwanda. In the same way, the most common economic activities among the population aged 16+ are as follows: farming: 15.65% and non-agricultural: 21.11% (urban 55.8% and 13.53% in rural areas). The "independent farmer" as the main work type stands at 53% with rural predominance (61.55%) compared to urban (16.39%) while the "independent non-farmer" is the main work type at 8.95%, the majority of which is located in town (20.09%) compared to that in rural areas (6.49%) (GoR, NISR 2018). Furthermore, from 2000 to 2017, agricultural labour and non-agricultural labour respectively increased in the same period, which leads to the conclusion that modern agriculture is a source of employment on one hand, but there is also steady growth in employment in the secondary and tertiary sectors. Figure 5 sheds more light on wages trends between EICV1 and EICV5.

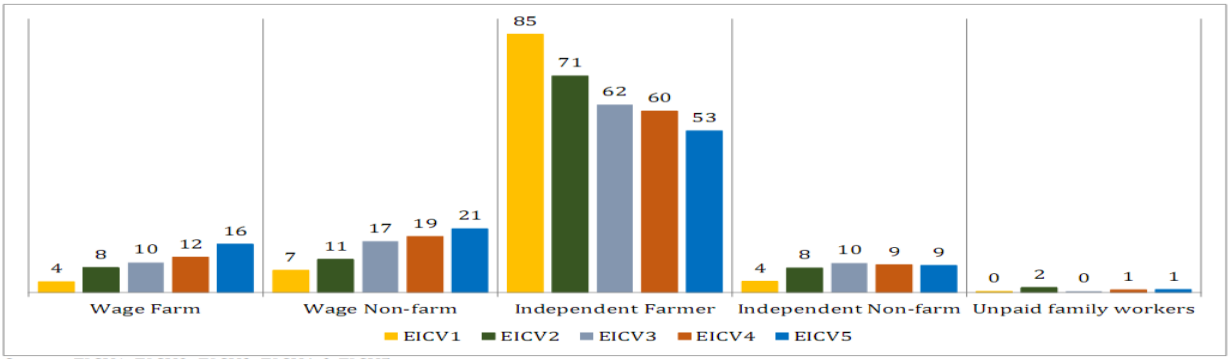

Figure 5: Comparison of wages per economic activities

Source (GoR, NISR 2018)

It is important to mention that social protection programmes aim at addressing specific unemployment[36] for vulnerable groups as a way of inclusion and extreme poverty reduction. In this regard, VUP reached a proportion of 4.4% for employment namely in business loans (FS) and public works among other initiatives (GoR, NISR 2017).

2.4.6.1 Employment and economic sectors

The UNDP (2018) and the WB (2018) stated the following on employment distribution in Rwanda: In total, the agriculture sector is the major employer, employing 66.5% of the population; services employ 25.4% while industry employs 8.2% (UNDP 2018; WB 2018a). Dominated by the agricultural sector, employment is seasonally affected. UNDP (2018) highlights the changes in employed population between February 2017 and February 2018: the general increment was 2.6%, agriculture, forestry and fishery decreased (-3.6%) while manufacturing increased 1.6% (UNDP 2018). GoR, NISR (2018) and GoR, MINECOFIN (2017) reported that Rwandans relying on non-agricultural wages increased from 18.5% EICV4 to 21.1% in EICV5. Despite employment increases registered across the sectors, the government target of creating 200 000 jobs per annum in EDPRS2 was not reached[37] (GoR, MINECOFIN 2017; GoR, NISR 2018).

[36] Specific unemployment means unemployment targeting the specified categories (see the key concepts defined in the next chapter).
[37] Only 125 000 jobs were created per annum against 200 000 jobs expected (2013-2018). The government fixed a higher ambition to create (1 500,000 Jobs for NST1 2018-2024 meaning 2 014 000 jobs per annum) (see discussion in Chapter 1).

2.5 MACRO-ECONOMIC STRUCTURE

2.5.1 National Economic Growth and Trends

The statistics of the IMF on Rwanda regarding the macro-economic indicators show that Rwanda's economy kept growing from 1985 to date[38]. After the crisis of 1994[39], the economy was revitalised with solid policies and necessary reforms that led to economic take-off. The NISR (2018) in EICV5 reported that Rwanda experienced growth in Gross Domestic Product (GDP) of 14% from 2014 to 2017 (GoR, NISR 2018). The IMF (2018) projected that Rwanda's GDP is expected to grow from 8.2% to 7.5% between 2018 and 2023 (IMF 2018). The position of IMF on Rwandan economic trends does not differ from the ambitions and projections of the Government of Rwanda as stated in NST1 2017-2024.[40] (See other similar data in Appendix 2).

2.5.2 Poverty and Inequality Reduction and Trends

Economic development without improving human wellbeing is pointless. Rwandan economic reforms had a significant take-off, leading to a reduction in poverty and inequality. According to GoR, NISR (2018), GoR, MINECOFIN (2018) and UNICEF (2018), both poverty and extreme poverty shifted from 60% and 40% in 2000 to 39% and 16% in 2017 respectively. Figure 6 shows the trends from 2000 to 2020. While the Government of Rwanda planned to flatten extreme poverty to 0% by 2020, it is still persistent (GoR, MINECOFIN 2018; GoR, NISR 2018; UNICEF 2018).

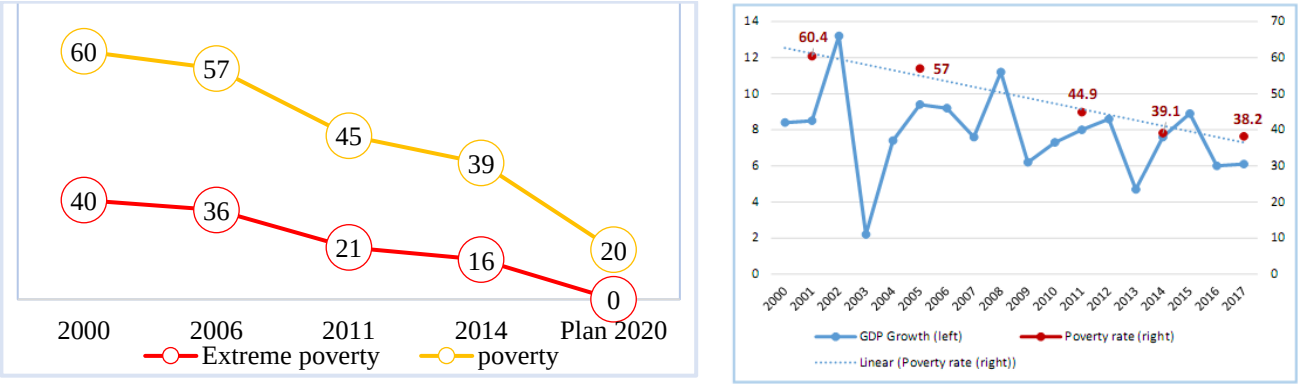

Figure 6: Projection of poverty reduction Vs performances from 2000 to date

[38] To date means currently in the thesis write up in 2020.
[39] 1994-1998 Rwanda was in reconstruction period following the genocide. The economic revival started in 2000 with the Vision 2020 that called for the shaping of different economic policies and strategies.
[40] NB. the project was not expecting the economic recession related to COVID-19.

Source: GoR, MINECOFIN 2018; GoR, NISR 2018 & UNICEFF 2018, Carter 2018

2.5.2.1 Income distribution

As stated above, the Rwanda rural-urban inequalities in poverty are equally confirmed by income inequality distribution. These inequalities are expressed in the Gini coefficient[41]. According to WB (2019), UNDP (2019) and GoR, NISR (2018), the pace of poverty reduction and economic growth in Rwanda have not been followed by a reduction in inequality. Referring to the period between 2000 and 2017, poverty reduced from 60% to 38% while the Gini coefficient reduced slightly from 48.5% to 43.7% in the same period respectively (GoR, NISR 2018; UNDP 2019; WB 2018b). The statistics show that from 2000 to 2017, poverty was cut by 37% compared to only a 10% change in the Gini coefficient. Rwanda falls under low HDI counties but cut its Gini coefficient by -4% between 2015 and 2018 (UNDP 2019).

2.5.3 Historical Performances of Economic Sectors and Projections

The Rwandan economy has been characterised by a dominance of the agricultural sector, followed by services and industry. The services and industrial sectors kept growing and experience growth of 11.8% and 11.5% respectively between 2006 and 2012 (GoR 2017). However, the structural transformation of the economy remains slow. Figure 7 shows the GDP growth and performance per sector from 2000 when GDP was USD242 to 2017 with USD774.

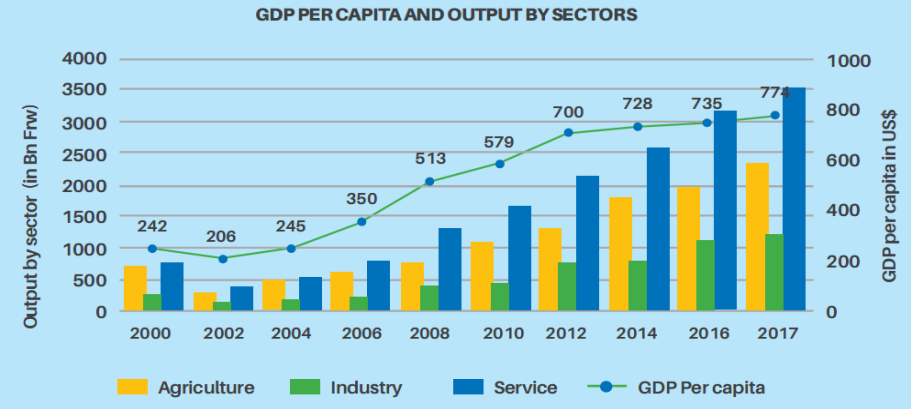

Figure 7: GDP growth and sectors contribution from 2000 to 2017

[41] The Lorenz curve showing the cumulative income and distribution among the recipients (ranging from 0 to 100 restively perfect distribution to perfect inequality).

Source: (GoR, MINECOFIN 2018; GoR,NISR 2015)

Furthermore, GoR, MINECOFIN (2018), based on records and projections made in recent years (from 2016 to 2019), showed that the contribution to GDP by the main economic sectors, i.e., the industry and services sectors were expected to continue to lead the economic growth of Rwanda while agriculture maintained its downturn. The industry and services contribution increased substantially in the same period (2016-2019) from 7% to 13.1% and 7% to 7.8% respectively while the agriculture sector performed only from 4% to 4.5% in the same period[42]. Figure 8 below shows details.

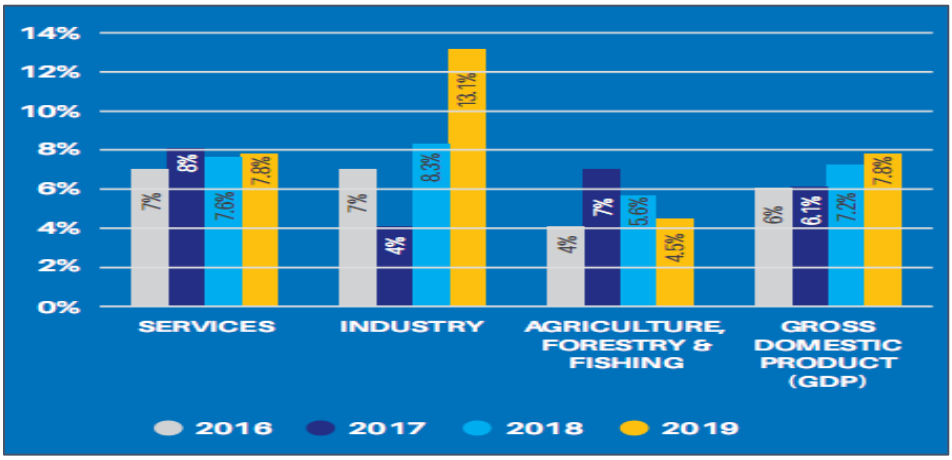

Figure 8: GDP performance and projection 2016-2019

Source: (GoR, MINECOFIN 2018)

Despite the decreasing GDP contribution of the primary sector over the years, agriculture constitutes the economic backbone as backup and feeder of the secondary and tertiary industries on the one hand, but also as the first job creator for Rwandans on the other hand. (Up to 2019, agriculture made up 65.5% of total employment – GoR, MINECOFIN 2019; WB 2018a).[43]. Table 1 compares the contribution of economic sectors to employment, GDP and annual growth in the year 2017 serving as a baseline for NST1 and expected structural transformation in GDP contribution by the end of NST1 (2014).

[42] Decreasing agriculture can be explained as its substantial transformation and modernization as per PSTA (The formerly raw abundant production sold or damaged without added value will be transformed in the Industry (agro-processing is a priority in MINAGRI/PSTA and 'Made in Rwanda' to increase the secondary sector contribution to GDP)

[43] Despite the increase of citizens who rely on non-farm wages (18.5% to 21.1% from EICV4 to EICV5) (NISR 2018: 7), agriculture predominates the employment sector in Rwanda

Table 1: Main sectors' contribution to GDP and employment

Breakdown of Economic Activity By Sector (2017)	**Agriculture**	**Industry**	**Services**
Employment by Sector (in % of total employment)	66.5	8.2	25.3
Value Added (in % of GDP)	*31*	*15.8*	*46.4*
Value Added (Annual % Change)	6.6	4.2	7.1
Structural transformation expected by (2024 /NST1) (Value Added in % of GDP)	*22.9*	*21.8*	*48.3*

Source: (GoR, MINECOFIN 2019; WB 2018a)

2.5.4 Trade Balance

Despite the good performance that Rwanda has recorded over the two last decades, the trade balance trends are not assuring and may compromise the future economic ambitions of Rwanda. The WB and WTO (2018) state that Rwanda shows macro-economic disequilibria and financial dependence. They pointed out that from 2013 to 2018, Rwanda's exports and imports of goods and services slightly shifted from 14.1 % and 31.9% to 18.2% and 32.8% respectively (GoR, MINECOFIN 2019; 2020).

The trade deficit has been dealt with over the years and Rwanda's deficit declined to –USD872 in 2017 from –USD1 151 in 2013. This partially explains the increase in economic stability and financial self-reliance in the national budget (See details in Appendix 4). The following graph sheds more light on the situation.

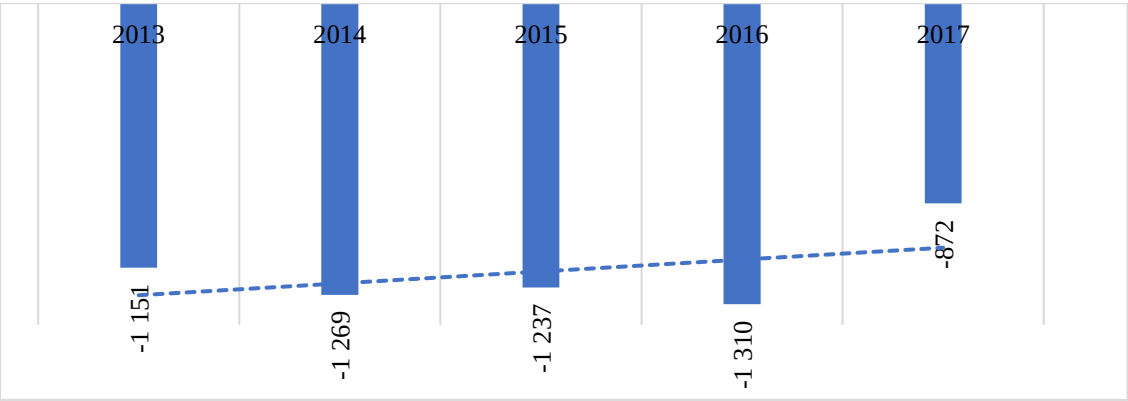

Figure 9: Trade balance in USD million

Source*: (GoR, MINECOFIN 2019; WTO 2020).*

To reduce the deficit, the GoR, MINECOFIN (2017) in NST1 and MiR Policy expects to increase exports to 17% annually of high-value goods and services. The GoR expects to invest RWF 274.5 billion (USD 274.5 thousand) mainly to reduce production costs through different infrastructure development projects (83% of the budget) while targeting a reduction of imports by USD400 Million by 2024. This will be made possible by structural reforms in key sectors of mining, tourism and agriculture export among other reforms. The aim is to increase self-reliance and local products competitiveness while meeting local demand and increasing exports (GoR 2017).[44]

2.5.5 Status of the Banking System and Access to Finance

Rwanda's banking system is composed of commercial banks, development banks, cooperative banks, and microfinance banks. As of August 2018, BNR reported 473 microfinance banks (4% public limited companies, 88% *Umurenge* Saving and Credits Cooperatives/SACCOs, 8% other SCCOs). *Umurenge* SACCOs dominate the sector (416 SACCOs=88%) with an asset share of 45%. Commercial banks increased to 19 in 2018 from 17 (in 2015)[45] (GoR, BNR 2018; Export. Gov. 2017, RDB 2016). In 2016, the financial inclusion[46] in Rwanda reached 89% mainly using Mobile Money (UNDP 2016). According to Bigirimana and Xu (2018), up to 2017 MFIs and SACCOs were serving around 65% of Rwandans in accessing finance and it was found that up to 2012, Rwandans trusted informal saving group loans more than relying on formal financial institutions thanks to their proximity and community centrality. However, 67.6% preferred to avoid borrowing, while 86.2% preferred to save first to pay for something rather than borrowing. Consequently, borrowings in Rwanda tend to be informal or self-help mechanisms: 28% have borrowed from friends, 18% from saving groups and 27% have goods in advance from a shop (Bigirimana & Xu 2018; GoR, NSIR & UNDP 2012). The reluctance of local businesses to rely on financial institutions is due to many factors: high interest rates (24% for SACCOs and generally around 18% for other FIs); delayed feedback on loan requests; low skills of staff and weak loan analysis as well as lack of automation (especially in SACCOs); lack of guarantees; and limited technical assistance to SMEs among other issues (BNR 2018; GoR, BNR 2017; LODA 2016).

[44] We will see further, how LED contribute to this and how LCF is one of the mechanisms for this aim.
[45] Sector (It is administrative entity in Rwanda under district).
[46] Financial inclusion is referred to as the availability and usage of affordable financial products and services provided by professional institutions to all society segments including the vulnerable and low-income population groups and small businesses (UNDP 2017).

While private investments and access to finances for SMEs remain the success factors for economic growth[47], NST1 expects to increase access to finance chiefly for the agriculture sector which was lagging behind (5.2% in 2017) and increased to 10.4% by 2024 to enhance primary farming, agro-processing, fisheries and livestock (GoR, MINECOFIN 2017: 5).

2.5.6 Rwanda and International Positioning

Rwanda is internationally recognised amongst the fastest-growing economies in the world with good governance, a conducive business place, and environmental conservation among others. The international positioning and high ranking contribute to foreign investments attraction as well as tourism sector growth. Figure 10 summarises the Rwanda international ranking in the year 2019.

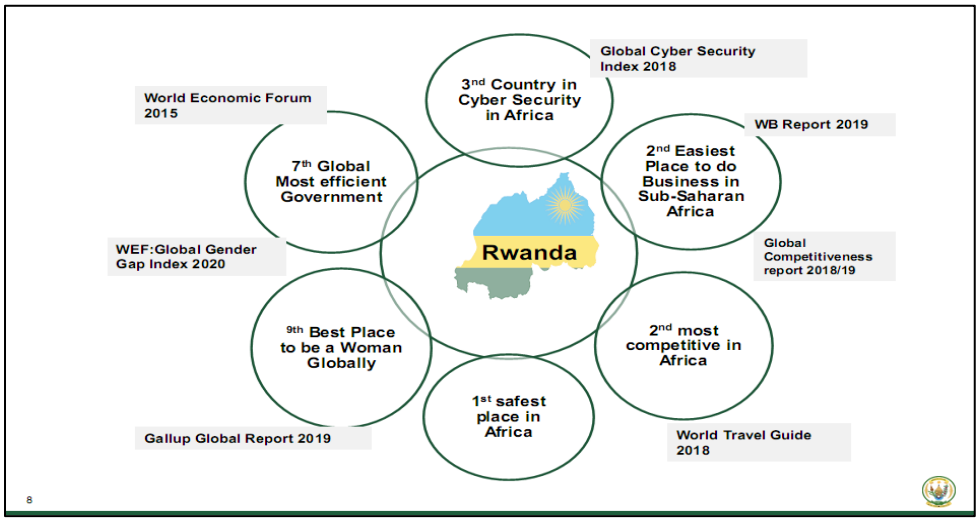

Figure 10: Rwanda economic position in the international arena

Source: (GoR, MINECOFIN 2019)

2.6 BACKGROUND TO ECONOMIC DEVELOPMENT POLICIES IN RWANDA

As already mentioned in the introductory chapter, after the 1994 genocide, Rwanda shaped its development policy for economic development. Notwithstanding the challenges of the neoliberal era, Rwanda chose its own way of stabilising the national economy. This section seeks to outline

[47] Issues of access to finances mentioned in many Rwandan policies (MiR Policy, market recapturing strategy, NST1, CD & LED policy, industrial policy among other documents).

the economic policy of Rwanda from the post-genocide era (1994-2000) to 2020 and to map out a trajectory for LED.

2.6.1 Post-Genocide and Reconstruction Phase Era (1994-2000)

Since 1990, Rwanda was hit by a civil war[48] which culminated in the genocide against Tutsi in 1994. In this period, [49] were slaughtered in only one hundred days (Tutsi and moderate Hutus), and over 2 million made up of mainly Hutu perpetrators fled to the DRC. Rwanda was devastated economically, environmentally and morally. Homes and communities were destroyed (UN 2014; World Vision 2019). According to UNDP (2008), from 1994, Rwanda was living in the social and economic aftermath of the genocide and war and was characterised by a low baseline (1994) and flow of international aid (more than 50% of the annual budget and 90% of capital budget) (UNDP 2008). In this period of catch-up, the country was to start a new journey for social and economic reconstruction, and the GoR's main concern, in addition to rehabilitation and economic development, was to address its institutional problems that were deemed responsible for the genocide (Chaulia 2002; Rieder & Elbert 2013; UNDP 2008). Rwanda is a country that was transformed in such a way that, one decade after the genocide and vulnerability associated with it (1995-2014), it reshaped its economy and achieved tremendous growth of average annual growth in GDP of 9.8%. The GDP per capita evolved from USD221.6 [50] in 1995 to USD772.9 in 2018. In addition, Rwanda built up its financial self-reliance in domestic revenues which interestingly evolved from 29% (in 1995) to 84% (in 2018) (GoR, MINECOFIN 2018:6; PWC 2018; WB 2020). The next section highlights how Rwanda shaped its economic policy in the two decades that followed the genocide (2000 to 2020) and how decentralisation and local economic principles played a central role.

2.6.2 Rwanda Vision 2020 and Related Development Strategies (2000-2020)

From 1998 to 2000, a consultation process was going on in Rwanda and led to the establishment of Vision 2020. On the eve of Vision 2020, Rwanda was characterised by internal and external macro-economic disequilibria, low savings, indecent employment as well as shocks from international markets, mainly with regard to coffee and tea which were vital expert crops for

[48] Also known as a liberation war by Rwanda Patriotic Front (RPF)
[49] The Government of Rwanda estimated that the Tutsi killed during the genocide numbered more than one million.
[50] This was due to aid flow because in 1994 Rwanda stood at 126.9USD (WB 2020)

Rwanda. Furthermore, crucial issues were at the origin of these challenges, namely, subsistence and low agricultural productivity with a narrow economic base, natural barriers, low human resource development as well as low infrastructure development that increased the cost of doing business (GoR, MINECOFIN 2012).

In the short term, Rwanda fixed an objective of promotion of macro-economic stability and wealth creation to reduce foreign aid dependency. In the neoliberal era of the free market (since the 1980s) and the post-Washington era (1990s), the GoR thought about market liberalisation, privatisation, and tax reforms so to attract foreign investors. In so doing, the GoR wanted to expand the tax base, attract foreign investors and diversify the traditional export commodities (GoR, MINECOFIN 2000; WB 2010). In that same spirit, the mid-term priority was to transform the country from an agrarian to a knowledge-based economy by engaging in economic structural transformation with major investments in industries and services while transforming subsistence agriculture into market-oriented agriculture. In the long term, therefore, the GoR aimed at creating a productive middle class and fostering entrepreneurship to become the economic backbone of the country (GoR, MINECOFIN 2000).

To make it possible, the Vision was set to overcome the four challenges that characterised the inertia of economic growth: (1) low agricultural productivity and narrow economic base; (2) natural barriers to trade: Rwanda is land-locked; (3) a low level of human resource development; and (4) low infrastructure development related to the cost of doing business. To this end, the six pillars were set: 1-good governance and a capable state, 2-human resource development and a knowledge-based economy, 3-private sector-led economy, 4-infrastructure development, 5-productive and market-oriented agriculture, and 6-regional and international economic integration. It is worth mentioning that gender equality, environmental protection, as well as science and technology and ICT, were made cross-cutting themes for all levels of planning (GoR 2012).

With the above ambition and extremely limited resources, the GoR committed to transforming Rwanda into a middle-income country with a GDP per capita of USD 290 and a 64% poverty level to USD1 240 GDP [51] and a 20% poverty level from 2000 to 2020 respectively. In this regard, prioritisation and sequencing in the short-, mid- and long-term were crucial (GoR, 2000; GoR

[51] Initially, Poverty & GDP were fixed at 30% and USD900 and were later revised in 2012 and upgraded to 20% and USD1 240 respectively (GoR 2012)

2012). It is upon this Vision, prioritising and sequencing that Rwanda established its economic programmes to progressively attain its targets.

To turn this vision into reality, comprehensive mid-term programmes were established and each programme was unique in terms of the objectives set while all constituted the building blocks of Rwanda's Vision 2020.

2.6.2.1 Poverty reduction strategy (PRSP 2002-2007):

It was mentioned above that since 1998, a national consultation took place to shape Vision 2020. According to IMF (2002), similarly, in 1999, there were intensive consultations on poverty diagnosis to inform the GoR poverty reduction strategy and pro-poor growth strategies known as (I-PRSP). The consultations were detailed at the village and household level with the support of the National Unity and Reconciliation Commission and were validated later in 2001. In the same period, monitoring was done every two years and decisions were taken namely, to produce a two-year update paper for PRSP, a five-year household survey (EICV), a Mid-Term Expenditure Framework known as "MTEF", and a three-year Citizen Report Card among other strategy performance measurement tools (IMF2002: 1-8).

This first mid-term strategy for Vision 2020 was to reduce poverty in a post-conflict environment and was to serve as a transition for rehabilitation and national reconstruction from emergency. It particularly contributed to stabilising the country, human development, health and education. (GoR, MINECOFIN 2013b; GoR, MINECOFIN 2017; WB 2013; 2020). The next was the Economic Development and Poverty Reduction Strategy (EDPRS 1 & 2) and the clear cut from both era was the shift from reconstruction and extreme poverty objective to a hybrid of poverty reduction and economic growth that characterised PRSP and EDPRS respectively[52].

2.6.2.2 EDPRS 1 (2008-2012):

The aim was to keep the momentum of PRSP, refine country priorities and reduce poverty and inequalities. [53]The strategy was rooted in three flagship programmes which were Sustainable Growth of Jobs and exports, Vision 2020 Umurenge (VUP) as well as Governance (see VUP

[52] This will be linked with LED strategy rationale in the next section on the LED trajectory
[53] Gini coefficient was still high (it reduced from 0.51 to 0.52 from 2001 to 2005 respectively) (WB 2020)

achievements in 2.3.5 above). Despite the tremendous achievements with EDPRS1, its review shows gaps that might be hindering the achievement of Vision 2020 targets. Those are mainly weak coordination, monitoring and evaluation systems, limited mainstreaming of cross-cutting issues (see above on Vision 2020) as well as weak involvement of the private sector. Contrary to challenges, the same evaluation revealed positive lessons learnt that could be built into the new strategy, namely, ownership of the strategy, use of homegrown solutions[54]community-based solutions for community empowerment and demand of accountability (GoR, MINECOFIN 2013b). These lessons led to shaping the EDPRS2 as follows.

2.6.3.3 EDPRS 2 (2013-2018)

Contrarily to PRSP and EDPRS1, EDPRS2 was to move more quickly towards the achievement of Vision 2020 in promoting economic transformation, rural development, accountable governance and productivity, and youth employment which constituted the four thematic areas of this programme. Moreover, during this period, Rwanda shaped several policies to support EDPRS2 but also for the attainment of Vision 2020, especially in creating a favourable environment for private sector development and growth. The overarching goal of EDPRS2 was "accelerating progress to middle-income status and better quality for all Rwandans through sustainable average GDP growth of 11.5% and accelerated reduction of poverty to less than 30%" (GoR 2013:16). However, despite the robust experience of previous strategies (PRSP and EDPRS1) and redoubled effort towards achieving Vision 2020, the strategy failed to reach its ambitious goals: the poverty slightly shifted from poverty level of 39% and GDP USD644 to 38.2%, and GDP USD774 respectively from 2013 to 2017 against <30% and USD1000 in the same period (GoR, MINECOFIN 2013b:133; GoR, NISR 2018).

2.6.3 Shaping the Vision 2050 "Rwanda to become a higher-income country"

In 2017, the national dialogue requested MINECOFIN to initiate the establishment of Vision 2050: "High Standing of Living for Rwandans" for Rwanda to become a high-income country. Based on the above achievements and lessons learnt (and unachieved targets), Rwanda fixed its economic agenda and new ambitions to move from GDP per capita of USD774 (2017) to USD1 240 in 2020.

[54] Homegrown solutions include Umuganda (community works), truth and traditional court (Gacaca) reconciliators (Abunzi), Imihigo (performance contracts) among other practices (GoR,2013),

The target now is to reach USD4 035 in 2035 for an upper-middle-income country and to USD12 476 for a high-income nation by 2050. Rwanda has the ambition to double its annual growth and keep it at not less than 10% (GoR 2016). The Vision 2050 aspires not only to address local ambitions but also several international visions and economic agendas including, but not limited to, the Sustainable Development Goals (UN SDGs 2030), East Africa Community (EAC-Vision 2050), AU Agenda 2063, Paris Declaration on Climate Change 2063 among others (GoR, MINECOFIN 2016; WB 2016). In this regard, Rwanda will build on five key areas, namely 1) Quality of life; 2) modern infrastructure and livelihoods; 3) transformation for prosperity; 4) values for Vision 2050; and 5) international cooperation and positioning (GoR, MINECOFIN 2016; WB 2016). The GoR, MINECOFIN (2019) in key statistics of 2019, argued that on a baseline of GDP per capita growth of 8.6 (in 2018), all the above economic sectors' performances are ambitiously expected to keep the momentum and boost Rwandan economic growth at the required pace from 9.1% over NST1 (2023). It asserts that once achieved, it would allow Rwanda to realise its projected GDP growth of 12% by 2035 and 9% by 2050 (GoR, MINECOFIN 2019). The following graph shows the details of GDP and growth pace expected from 12.1% to 23.9%.

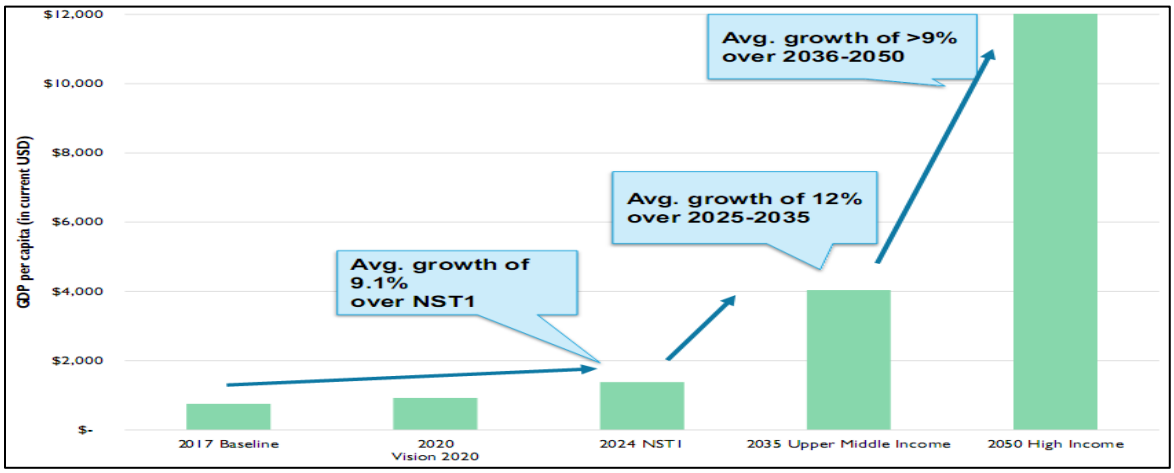

Figure 11: Projection of GDP growth requirements for Rwanda to meet its vision 2050

Source: (GoR, MINECOFIN 2019)

To make this feasible, as per the experience at the end of Vision 2020, Rwanda will initiate a series of mid-term seven-year programmes. The first is the NST1 2017-2024.

2.6.3.1 National strategy for transformation and prosperity/ NST1 (2018-2024)

Based on the achievements and lessons of EDPRS2, some unreached targets of EDPRS2 and Vision 2020 will be taken over in the first mid-term strategy NST1 by 2018-2024. Some important targets are as follows: job creation targets (from 200 000 jobs raised to 214 000 jobs per annum), extreme poverty to be flattened to 0% and poverty to 17%; GDP from USD774 to USD1 320, universal access to water and sanitation, among other indicators respectively from 2018 to 2024 (GoR, MINECOFIN 2018).

NST1 is focused on three key pillars which are economic transformation, social transformation and transformational governance (GoR, MINECOFIN 2017: 10). To accelerate growth, the GoR chose to base NST1 on six priority sectors namely 1) Agriculture, 2) Manufacturing, 3) Energy, 4) Mining, 5) Urbanisation, 6) MICE (Meetings, Incentives, Conventions & Exhibitions) and Transport & Logistics (MINECOFIN 2018:13-14). As mentioned earlier, the chosen pillars remain almost the same as priority areas of Vision 2020 and its subsequent programmes namely EDPRS1 & 2, namely priority of infrastructure development, agricultural transformation as well as expansion of investments in favour of industry and services to drive the economy (GoR 2013; GoR2007; GoR 2000). The failure to meet the targets in Vision 2020 and mid-term strategies has been already discussed. Rwanda failed to bend its poverty curve by 2018 or by 2020, the reason why some targets were shifted to 2024. It is then questionable whether the set vision will be brought to reality in this global changing and capitalist economy. It is possible, however, that the economic challenges that Rwanda faces have allowed the secondary and tertiary sectors to take the driving seat of the economy.

The next section focuses on the role of LED in the economic development path since 2000 to date (2020). The rationale of LED in the ambitious target of Rwanda and its substantial contribution to the two decades' achievements will be amply analysed.

2.6.4 Trajectory of LED Policy in Rwanda

As seen in the background to this thesis, LED is an economic approach in Rwanda that has existed since the year 2000, first with the decentralisation policy adopted in 2000 but also with big ambitions of the government regarding the Vision 2020 as an economic revival that followed the

aftermath of the dark period of 1994. This section seeks to trace the LED approach, its role and imperatives in the social-economic transformation path of Rwanda.

Similarly, this section intends to discuss the LED concept trajectory from 2000 to date, its associated results and emerging issues from a theoretical perspective, which support and give a strong rationale to the research. However, based on the Latin American experience, where LED was not only a result of decentralisation but also a motivation based on the necessity to pull the local actors to work together for synergy on local development (Alburquerque 2004), Rwanda also was facing several socioeconomic issues that motivated the progressive adoption of an LED strategy to respond to its economic vision.

2.6.5 Background to Decentralisation Policy in Rwanda and LED Aspirations

2.6.5.1 Decentralisation and community development policy

In the stated definition of LED in the introduction, it was mentioned that LED aims at promoting partnerships of local actors for job creation and incomes leading to "improved lives for all" (WB 2005) and this will remain an objective of LED strategy as we keep assessing it. Similarly, in the economic policy background explained above, analysis has shown that Rwanda went through a challenging and changing socioeconomic context namely the post-genocide period from 1994 to 2000 and the two decades that followed up to 2020. Therefore, within that context, an important policy of national decentralisation was put in place in 2000 (it will be later reviewed) with high expectations to back the National Vision 2020 but also to inspire the establishment of several necessary policies in Rwanda. The decentralisation policy was proposed to empower citizens, enhance cohesion and mobilise human potential, natural and social-cultural resources citizens are endowed with as an imperative to attain Vision 2020 targets.

Furthermore, given the policy objectives of citizens' empowerment and wellbeing[55] (poverty reduction) on the one hand, and the prevailing context that led to its adoption, on the other hand, this section shows the inextricable link of Vision 2020 with the LED approach for the establishment of an enabling environment in Rwanda as can be observed in this NDP vision: "*Empowered citizens that determine how they are governed, feel responsible for and are active*

[55] The NPD aims at good governance, people participation for their wellbeing (GoR, MINALOC 2012).

participants in their personal wellbeing and sustainable local and national development." On the imperative for and the appropriateness of the decentralisation policy for Rwanda, the GoR was committed to LED for several reasons, but specifically "*The Government believes that decentralisation is an appropriate platform for mobilising citizens, nurturing leadership and eradicating poverty*" (GoR, MINALOC 2012:23).

It is worth noting that when the GoR adopted the NDP in 2000, there was a prevailing context of neoliberalism that pushed a wave of decentralisation in many developing countries including those in Africa. In this regard, to give an example, UNDP (2012) conducted an assessment on decentralisation in local governments (LGs) in the East Africa Region (Comoros, Kenya, Ethiopia, Eritrea, Uganda, Burundi and Rwanda). The UNDP report underlined the rationale behind promoting the decentralisation policy at the LG level in those countries, namely, to address historical injustices and promote national reconciliation; to transfer governance to enhance local participation and stakeholder engagement; to enhance local service delivery, accountability, participatory planning and budgeting; to enhance inclusion and social protection of people; and to address endemic poverty reduction and inequalities, leading to the attainment of the MDGs and national objectives in these countries (UNDP 2012).

Specifically, in the case of Rwanda, the UNDP assessment (2012) did not differ from the GoR on the rationale and motives for the NDP where Rwanda aimed to promote unity, identity and nationalism, cohesion and healing (as a post-genocide and war state), good governance and high-quality service delivery, accountability and transparency; stimulate equitable LED, participation, volunteerism and community work; reduce poverty; and facilitate regional integration (GoR, MINALOC 2013; GoR, MINECOFIN 2017; UNDP 2012).

It is important to mention that the decentralisation in Rwanda went through three main phases, and all three were to facilitate the development processes in commensuration with the increasing demand and pressure resulting from changing context leading to the attainment of the national vision. For this reason, Phase I (2000-2005) was mainly to institutionalise governance by setting up policies, institutional reforms and democratic and governance structures. Phase II (2006-2010) was mainly to enhance effectiveness in public service delivery while Phase III (from 2011-2015) was essentially to consolidate achievements of Phases I & II and especially to enhance decision-

making mechanisms at the LG level (GoR, MINALOC 2012; GoR, MINECOFIN 2011; UNDP 2012).

Correspondingly, the Policy of 2000 was reviewed in 2013 to inspire the implementation of the EDPRS2 (2013-2018) and was aimed at "Consolidating participatory governance and fast-tracking citizen-centred development" (GoR, MINALOC 2013:1). According to the same source, the revised policy objective was to deepen and sustain grassroots democratic governance and promote LED using citizens' participation, empowered LGs and effective linkages between central and local governments. The policy retained the initial specific objectives of the first policy (2000) but gave renewed impetus to them. The expected outcomes of the new policy would be the LGs' capacity to plan, finance and deliver services to citizens; and community ownership of their LG, namely, in paying taxes and then holding their leaders accountable. The new element in the policy was really to strengthen the first policy but fast-track and sustain LED through fiscal autonomy, employment and poverty reduction while effectively using local potential (GoR, MINALOC 2012).[56] Moreover, the re-energising was crucial because the key indicators shown by the Citizen Report Card (2010) and Rwanda Governance Board's (RGB) assessment (2011) revealed some inconsistent trends in decentralisation. To illustrate, the reports indicated that community participation had grown, namely, in community works, elections and democratic expression of views by citizens that were each >80%. However, other critical indicators had stagnated, namely, holding leadership accountable (26.4%); formulation of the performance contract (23,6%); and participation in districts' development plans, budgeting and District Council's agendas which were each below 12% (GoR, MINALOC 2013:13). Consequently, failing to raise the level of these indicators could prejudice the attainment of the policy objectives but also limit sustainable LED because of the minimal participation of citizens.

2.6.5.2 Decentralisation and homegrown solutions fuelling CD and LED

As seen above. UNDP (2012) argued that the aims of decentralisation were unity and reconciliation as well as human capital development to enhance governance, community empowerment, participation and citizenship (UNDP 2012). Likewise, the GoR built its success on the use of Rwanda homegrown solutions for its development model (GoR, MINECOFIN 2018, GoR,

[56] Emphasis on LED is due to the coincidence of elaboration of the first CD & LED strategy for 2013-2018. This will be analysed in the next

MINECOFIN 2017; GoR, MINECOFIN and WB 2019).[57] Rwanda has the advantage of being a small country with a pervasive culture and one language. Therefore, it is worth mentioning the cultural traditions that inspire or support development in Rwanda:

- **Abunzi**: Community Mediators to bring about an amicable and healing reconciliation among the divided elements of society;
- **Gacaca:** (Community courts): These are a hybrid approach of modern and traditional conflict resolutions used to reduce the backlog of court cases. The Gacaca was used to try 1 958 634 genocide-related cases that could not be executed in tribunals;
- **Girinka:** (One cow per family) was used to fight against malnutrition, and enhance agriculture production by organic manure production and dairy products;
- **Imihigo:** (Performance contract) meaning to compete amongst one another. This is used to reach high goals and deliver on objectives and set targets. This was a widespread practice among public servants and other institutions at all levels;
- **Itorero:** (Cultural school) and **Ingando** (Solidarity camp) which are both used for cultural education (patriotism, language, sport and dancing…) and reflection on strategic planning and learning about the history respectively;
- **Ubudehe:** Social categorisation for collective action and mutual support; and **Umuganda** (Community work) used for self-help practices to support the vulnerable in poverty reduction and works carried out together to improve their own communities, by building roads, rehabilitating wetlands, fixing erosion or building houses for vulnerable people. Umuganda is a good framework for citizens' participation in discussing national and local issues. The practice has been recently transferred to Haiti and Central Africa;
- **Umushyikirano:** (National Dialogue Council) which is a forum where national participants (population and institution representatives at all levels) meet to debate issues relating to the state of the nation, the state of LGs and national unity; and
- **Umwiherero** (National leadership retreat) in which leaders meet to reflect on issues affecting their communities (GoR, MINECOFIN 2018).

[57] The success of Rwanda development is attributed to homegrown solutions, GoR commitment, determination and quality of governance as well as the support of Rwanda Partners (GoR, MINECOFIN 2019a & WB 2018).

The next section traces the trajectory and progressive embeddedness of LED and other policy and strategies intimately linked with the decentralisation policy and their substantial contribution to the national vision.

2.6.6 Background to LED and the Concept Evolution in Rwanda

As said above, the LED concept in Rwanda is recent and accompanied the waves of decentralisation in Rwanda that started in 2000 with the adoption of the first decentralisation policy.

For this reason, the objective of the NDP 2000 (reviewed later in 2013) was to ensure economic, social, political and managerial/administrative empowerment of the population to fight against poverty through de-concentration and delegation of services and functions as well as devolution of powers, resources, responsibilities and authority to the local level. The Rwandan Constitution (Art 167) provides for the decentralisation of local entities as the foundation for community development (GoR, MINALOC 2012). Therefore, under decentralisation, citizens are to determine their needs, interests and mobilise resources for their livelihoods (GoR, MINALOC 2001). From these first intimations of LED ideas in this policy, Rwanda had already realised its felt need to localise its development and the crucial necessity of citizens' participation to tackle their poverty issues based on their real needs, choices and capacities. In addition, in addition to the NDP 2000, the Government of Rwanda adopted another policy known as CDP 2001 (reviewed in 2008) which is an instrument that supports the NDP, PRSP, EDPRS1 & 2, MDGs, Vision 2020 as well as the NEPAD. The policy mission is to "ensure effective and sustainable participation of the community in its own development, to achieve poverty reduction and self-reliance based on the sustainable exploitation of available resources"(GoR, MINALOC 2008:3).

Furthermore, in 2001 in parallel to CDP, for matters of LG empowerment, decision-making and resource mobilisation, the GoR adopted the first Fiscal Decentralisation Policy (FDP) to supplement the NDP and CDP with a threefold objective: "(1) to develop a sustainable resource mobilisation base for local communities; (2) to provide resources for a balanced and equitable LG;

and (3) to strengthen participatory planning and management capacity at the local level" (GoR, MINECOFIN 2011:4).[58]

In analysing the above NDP, CDP and National FDP as amended to date, it can be seen that LED aspirations and embeddedness were progressively promised in these fundamental policies. Two concepts are a central focus: (1) the locality dimension: NDP was the inclusive mother policy that defined the complementary roles of local substructures from the central level to villages, households and individuals. The NDP and FDP exclusively focused on the empowerment of LGs or districts; and (2) the community dimension: contrary to the NPD, the CDP focus was the village *(Umudugudu)* or "community" for active participation and empowerment in different forms. Consequently**,** both dimensions "locality and community" are the essential focus and core principles of the LED approach.

Furthermore, it is important to mention that one of the instruments to bring the NDP to fruition was the CDP which was initiated to reduce poverty and eradicate extreme poverty, in particular, implement social protection and attainment of MDGs. The President of the Republic of Rwanda thus launched the Vision 2020 Umurenge Programme known as VUP in May 2007. This programme was integrated and inclusive and targeted the poorest sector in every district (30 sectors) to concentrate on fast transformative initiatives namely direct support to those families without labour capacity, public works, financial services and skills transfer including financial literacy and livelihoods skills. VUP contributed to employment, local market competitiveness and basic infrastructure development for social and economic development (GoR, MINALOC 2011a).

Furthermore, in both shaping and reviewing the above policies and strategies, the aim of the LED approach had the same result as the CDP and NPD and was increasingly being included in policy formulation, although there no single specific LED document was yet in place. The policy objectives targeted community participation and empowerment, poverty reduction and self-reliance of the citizens as well as effective use of local resources for sustainable LED. An integrated and inclusive approach for poverty reduction are among the core principles of LED[59] (GoR, MINALOC 2008, 2012; GoR, MINECOFIN 2011: 3-4).

[58] An analysis of the impact of this policy on the financial self-reliance of LGs will be provided namely on own resource mobilization. This will be analysed later in discussing the policy's contribution to Rwanda development.
[59] This will be more highlighted in the theoretical framework chapter. LED focuses on locality, its resources, coordination and effective

2.6.6.1 LED as an emerging approach in extreme poverty reduction era (2000-2008)

This period coincides with the period of the NPD of 2000 and the CDP of 2001 till its revision in 2008. This period was characterised by a focus on extreme poverty reduction[60] and LED evolved from its small beginnings in policy objectives to a fully developed concept as "Local Economic Development".

As analysed above, the LED strategy was in its nuclear stage in the year 2000, specifically in the NDP. It can be said without hesitation that LED approaches constituted the leading ideas of the policy documents (NPD and CDP) especially in terms of their expected results. This can be seen in the keywords in those policies, namely, extreme poverty reduction, wellbeing, citizens' participation and empowerment, proper resource management, and territorial administration, among others, symbolising the presence of the LED approach in the mind of policymakers although it was not yet a defined strategy. Likewise, in the CDP 2001, the aim was to implement and materialise the NPD 2000, to empower communities and reduce their vulnerability (GoR, MINALOC 2008, 2012). The LED concept was not yet fully developed and appeared for the first time in the revision of CDP in 2008 and later in the revision of NPD in 2012. In both policies, LED was emphasised as an expected result and overall aim (GoR, MINALOC 2008, 2012). Further, it is important to mention that, apart from the NDP 2000 and CDP 2001, there was neither a national strategy for community development nor an LED strategy or related concepts before 2000.

Nevertheless, after 2000, LED evolved significantly in both policies and strategies up to the first combined CD and LED strategy in 2013. Despite the crucial need for LED approaches, from 2000 to 2008, the LED concept was still immature and economic planning was dominated by other national social priorities stemming from the turbulent period of the genocide and war of 1994. Referring to CDP 2008, the policy included some LED perspectives, i.e., its three interlinked spheres, namely, economic planning, good governance and social development. From a policy analysis, the initial stages of LED in the economic development sphere were aimed at infrastructure, agriculture, non-agricultural jobs and access to finances which capture the core

participation of local actors which lead to improved lives for all.

[60] The poverty level was very high (from 60% in 2000 to 57% in 2006). The public expenditure was characterised by a focus on "pro-poor needs" for poverty reduction (GoR, MINECOFIN 2007, 2018)

elements of LED. However, it was overlapped and strongly dominated by the social and the governance spheres since the overall target and policy construct was centred on household and *Ubudehe* in villages under the motto 'self-managing collective action' with the core objective to lift as many Rwandans out of extreme poverty as possible. In addition, the policy provided that *Umuganda*, formation of cooperatives, highly intensive labour and other community self-help mechanisms were to play a central role in line with this policy objective (GoR, MINALOC 2008). In the next period, the concept was incorporated into the first national strategy. In this era of prevailing poverty, NPD and CDP backed the execution of the PRSP (See above). Next, the analysis shows how LED gained consideration and influence from a concept to a national strategy[61].

2.6.6.2 From LED concept to inform the national strategy EDPRS (2008-2012)

As seen above, the first eight years[62] of Vision 2020 helped inform the rest of the period on the appropriate strategy to adopt to reach the vision. The results of PRSP showed that poverty was not significantly reduced and due to the pressing need to reach Vision 2020, the GoR shifted gears to embrace a new era of a bi-faceted strategy with double objectives of economic development and poverty reduction: EDPRS1 from 2008 to 2012. During this period, the LED concept and approaches became widely recognised, and it was among the key words and focus in the revised CDP and NPD of 2012 and EDPRS1. Poverty reduction, job creation and private sector development were at the heart of the policies and had a considerable impact on economic growth.[63]

2.6.6.3 From LED concept to become a national strategy to support EDPRS2 (2013-2018)

The first national CD & LED strategy was adopted by the GoR in 2013 to support the implementation of EDPRS2 (2013-2018). It is clear that while revising the NDP in 2012, the GoR realised the pressing need to establish a separate CD & LED Strategy so that the coexistence of both the NPD and CD & LED strategy became strong support mechanisms for EDPRS2. In this period, Rwanda was at the halfway point in implementing Vision 2020 and there was a critical need to review several policies including the decentralisation policy as well as other economic

[61] The results led to the practices of CDP and NPD.
[62] PRS an extreme poverty reduction strategy was implemented in this period.
[63] Poverty from 60% to 57%. Rather from 2008 to 2012, poverty was cut from 56.7% to 49.5% with 1 million Rwandans lifted out of poverty, among other achievements (GoR, MINECOFIN 2007, 2013).

growth and private sector development-related policies[64]. In addition, the NPD 2012 and a new CD & LED strategy were to pursue self-reliance among Rwandans, effectiveness and efficiency through joint-planning, poverty reduction, local economic development as well as regional economic integration, among other objectives (GoR 2012: 6-9).

The CD & LED strategy 2013-2018 had the objective of spearheading the inclusive local socioeconomic development and poverty reduction among Rwandans and was reflecting a hybrid approach on both social and economic development as per its main pillars on the one hand, but also as per the objective of decentralisation policy on the other hand. Those pillars are: (1) community development for empowering citizens for participation; (2) LED (economic growth through MSEs and job creation); and (3) support systems for CD and LED (human capital, development of infrastructure, service delivery and policy coordination as well as private sector development) (GoR, MINALOC 2013) (see 1.3). Keeping in mind the evolution of the LED concept, it is clear that within the first strategy (2013-2018), the LED approach became a unifying and consolidating bridge between NDP and CDP and covered a gap in the CDP strategy. This can be observed in its main pillar: to enhance community development and citizen participation. Alternatively, as seen above, the revised NPD 2012 and CDP 2008 included human capital and proper management of natural resources. Correspondingly, Pillars 2 and 3 are included in both policies (GoR, MINALOC 2012). For this reason, the new strategy accommodated the new development focus of reducing poverty and enhancing economic growth.

According to GoR, Rwanda Association of LGs (GoR, RALGA 2013), the benchmarking report on Rwandan decentralisation in the light of the Aberdeen Agenda (Commonwealth principles of local democracy and good governance at LGs) revealed that Rwanda had accomplished much in terms of decentralisation, namely, in accountability mechanisms, citizen participation and inclusion mechanisms (*Ubudehe*/HIMO, VUP *Umurenge* and the *Girinka* Programme)[65]. However, it was still lagging behind and there were capacity gaps in local planning, M&E and budgeting as well as limited financing (GoR, RALGA 2013). The "support system pillar" under the new CD & LED strategy which included human capital development was to be an alternative

[64] See LED cross-sectoral policies and strategies (MiR policy 2016, SMEs development policy, Industrial policy, Special economic Zones policy, Cooperative policy, among other policies)
[65] *Ubudehe*/HIMO is high intensity of labour, GIRINKA is a presidential programme known as one cow per family

gap-filler solution. It is important to note that to enhance LED awareness, two conferences were organised during the lifespan of EDPRS 1 and 2.

Given the need for LED awareness creation, the national conferences were organised by MINALOC, its agencies (LODA) together with its stakeholders in RALGA, the Belgian development agency Enabel, GiZ, and KfW to name a few, and were aimed at enhancing awareness and sharing best practices in LED. The first conference was organised in 2015 and coincided with the completion of LED local potentialities assessment reports of 30 districts, while the second conference was organised in 2018 and coincided with the end of the first CD & LED strategy 2013-2018 and introduced the district LED strategy (2017-2024). Specifically, in the second conference held at Kigali, the aim was to enhance awareness and stakeholder engagement in the execution of LED programmes across the country. The LED concepts were discussed among state and non-state actors and concretised by an exhibition of LCF-beneficiary companies who showcased locally made products as a result of LCF financial grants to their business operations. In this conference, attendees evaluated the progress of the LED strategy thus far and recommended the establishment of the National LED Secretariat for enhancing awareness and better coordination of LED initiatives across the country (GoR, MINALOC 2018). To conclude, it is important to mention that despite efforts put into the EDPR2 period 2013-2018, Rwanda did not register the expected growth and poverty reduction[66]. To this end, to achieve Vision 2020 and enter Vision 2050 with higher ambitions requires a new strategy.

2.6.6.4 The first national CD & LED policy and the second CD & LED strategy 2018-2024

The evaluation of the first CD & LED strategy by GoR, MINALOC (2017) revealed gaps that needed an appropriate approach to boost the sector and to support the new NST1 2017-2024 and inform the new CD & LED policy. These gaps were limited awareness on LED and CD; limited effective mainstreaming of the strategy at the local level to take advantage of local potentialities and attract investments; limited engagement of the private sector; limited investments; limited local resource mobilisation that led to poor basic infrastructure namely roads, electricity, markets,

[66] Poverty was expected to become less than 30% and GDP to be at least USD 1000 and was evaluated at 38.2% and USD774 respectively in 2018 (GoR, NISR 2018 & GoR, MINECOFIN 2013)

poor link of district potentialities; and poor coordination at all levels[67] among other challenges (GoR, MINALOC 2017, 2020).

Besides, the GoR was shifting from EDPRS phases (from 2008 to 2018) to embrace a new era of NST1 as the mid-term strategy for Vision 2050. With this in mind, other pressures were resulting from the fact that poverty reduction had stagnated, and job creation targets had not been met. For these reasons, the GoR established the new LED & CD [68]strategy (2018-2024) to support the implementation of NST1 in Rwanda with a new ambitious growth strategy (9.1% growth) (GoR, MINECOFIN 2019). In the same way, in recognising the importance of decentralisation and LED approaches in igniting Rwanda social-economic growth, the GoR took another step in establishing a new LED & CD policy as a hybrid policy but also setting a new policy framework for LED interventions in Rwanda (GoR, MINALOC 2020). Hence, the LED & CD policy and new strategy are based on the following:

- **National CD & LED policy**

Given the above challenges and prevailing context, the national LED & CD policy seeks to establish a strategic framework for effective coordination and implementation of LED and CD initiatives at both national and local levels. It also establishes a framework for promoting partnerships in LED and CD to create jobs, increase household incomes and improved service delivery to local communities while generating more revenue for LGs.

To this end, the vision of the new policy is "Local economic growth driven by the local private sector based on local economic opportunities" while the mission is "To build an enabling business environment that leads to job creation and improved livelihoods" (GoR 2020:5). The policy objectives and key interventions will have to both fill identified gaps and challenges in the previous CD & LED strategy evaluation in 2017, and support the NST1 on job creation, income generation and making Rwanda a private-led economy. In this regard, the policy will focus on key interventions, namely, capacity development, harnessing local economic opportunities, good sector coordination, improvements in local resource mobilisation, enhancing private sector

[67] The Rwanda challenges of coordination, planning and financing of LED infrastructure are common in LDCs
[68] The CD & LED strategy 2018-2024 and CD & LED policy 2020 were called LED & CD policy/Strategy

investments, creating and enabling environment and addressing mainstream cross-cutting issues (GoR 2020).

- **National LED & CD strategy 2018-2024**

The strategy is more practical and seeks to create a conducive environment for the translation of local potentialities into tangible opportunities for the wellbeing of local communities. In addition, the strategy seeks to address the issue of disparate sector initiatives by harmonising the cross-sectoral interventions to make "Competitive and inclusive local economies that boost Rwanda's socioeconomic transformation" as the strategy's vision. Furthermore, the key interventions are aligned with the decentralisation and NST1 objectives. These are establishing innovative decentralisation mechanisms to promote sector-specific value chains, private sector development and job creation; to enhance service delivery; to develop the capacity of LGs to implement, coordinate and mobilise resources for LED initiatives; and to improve coordination and harmonisation at the national and local level as well as community participation in LED (GoR, MINALOC 2018). In other words, the LED and CD policy and strategy complement each other and once implemented, may potentially serve as good instruments for NST1 implementation, especially covering the gaps in local growth, increases in income and poverty reduction which are the priorities of NST1 and the decentralisation policy, namely private sector development, infrastructure, job creation opportunities, capacity development and financial independence of LGs, among other expected changes. With the above, both LED & CD policy and strategy tackle the three pillars of NST1 and ultimately become essential to reaching the GoR's ambitions.

Figure 12 summarises the policy and strategic framework for LED and CD policy and strategy.

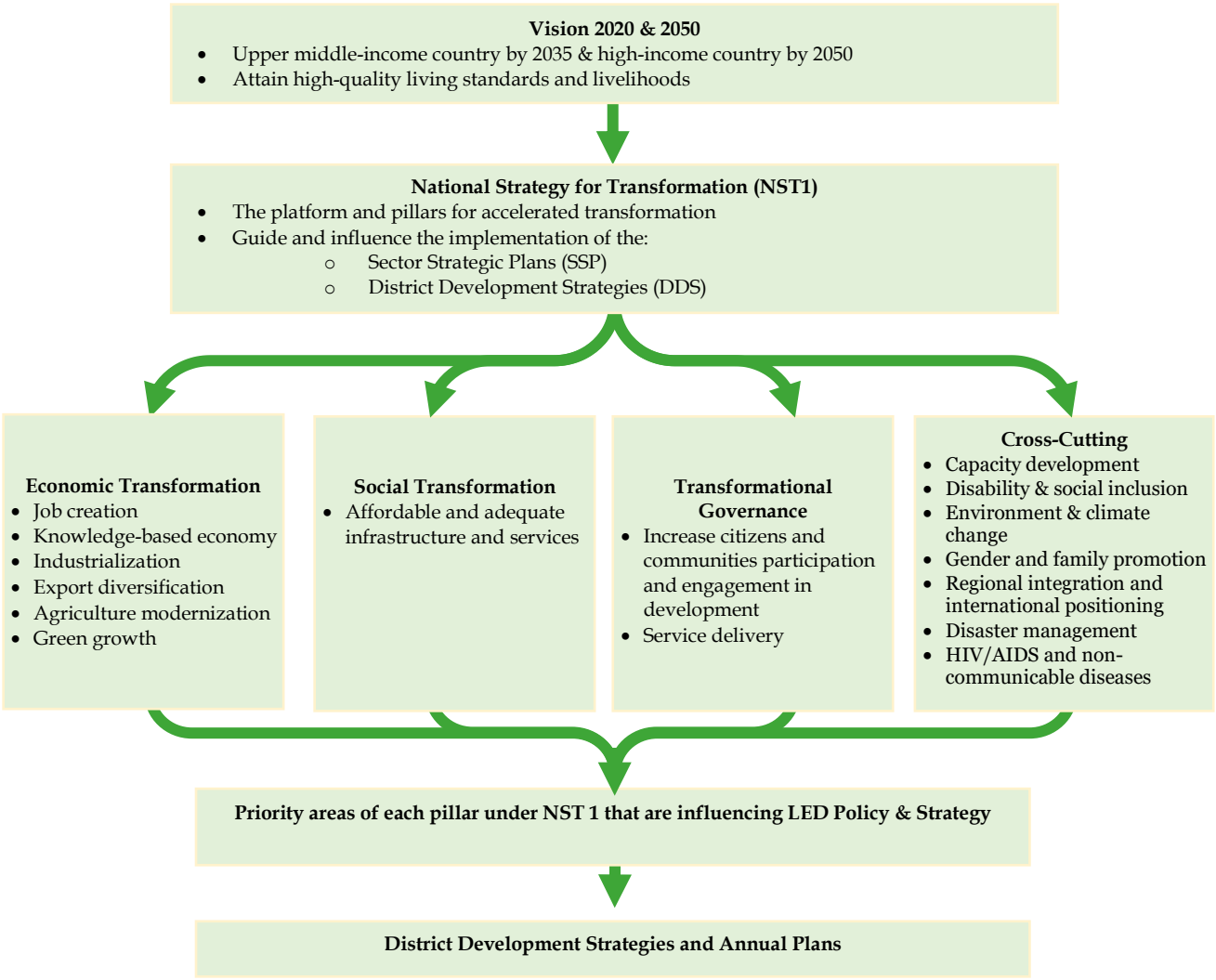

Figure 12: Situating LED within the National policy and the strategic framework

Source: (GoR, MINALOC 2020)

The trajectory of the LED strategy in Rwanda can be summarised in three main phases: the first phase is from 2000 to 2008 (ended up with PRSP 2002-2007[69]) in the extreme poverty reduction phase (Vision 2020, Decentralisation, DCP fiscal decentralisation among other policies). The second phase is 2008-2018, coinciding with the bi-faceted policy of poverty reduction and growth known as EDPRS 1 & 2. The third phase is from 2018 to 2024 and coincides with the NST1 and the establishment of the new Vision 2050. Figure 13 summarises the LED approach trajectory in the national policy in two decades from 2000 to 2020.

[69] The last fiscal year was July 2007-June 2008 (EDPRS1 followed and covered 2008/2009-2012/2013)

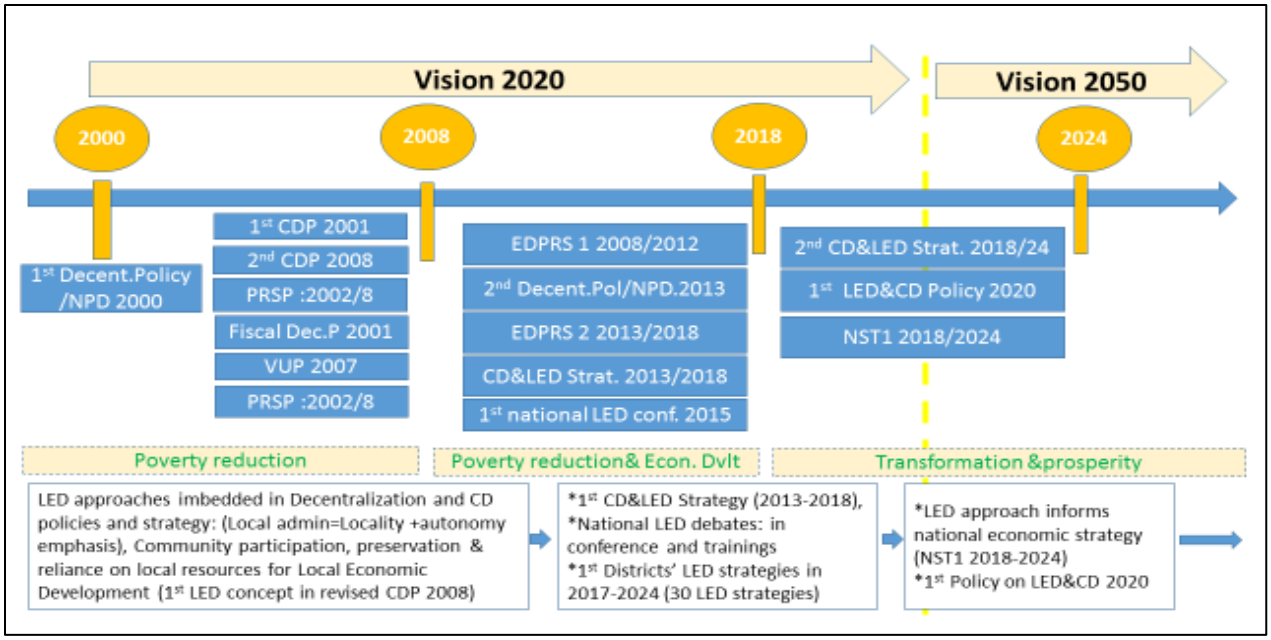

Figure 13: Background and trajectory of LED in Rwanda from 2000 to date 2020

Source: (Researcher 2020)

2.7 CHAPTER SUMMARY

This chapter summarises the country's potential and competitiveness to realise its economic development. The natural resources, namely favourable agro-bio-climatic conditions for agriculture, water resources, labour availability in combination with good governance policies and economic strategies constitute key inputs for spearheading economic development.

It is evident, therefore, Rwanda experienced tremendous growth in different sectors for the past two decades after the genocide against Tutsi of 1994. Poverty reduced significantly from 82% in 1994 to 38% in 2017. The national policies, Vision 2020 and its associated mid-term programmes helped Rwanda turn the vision into reality although some targets were not achieved, namely, bending the poverty curve to less than 20% and job creation targets. However, based on lessons and achievements of the past two decades since 2000, the country has a firm foundation from which to shift the nation from a lower- to an upper-middle-income nation by 2035, leading to a high living standards nation by 2050. The recorded achievements are attributed to high self-reliance and homegrown solutions, high ownership, support of partners, quality governance and planning as well as proper natural resource management which are the main principles of LED

(GoR 2017). Despite the significant progress made in socioeconomic growth, Rwanda still has many challenges on its LED path to materialise its vision: the population burden (growth rate of 2.4 % and high dependence ratio of 82.7%), high malnutrition and stunting issues, limited financial resources and investments in the key sectors leading to macro-economic disequilibria, HIV/AIDS affecting women and youth, among others.

With regard to the LED strategy, notwithstanding the positive evolution of the concept, policy consideration and tremendous advances that LED brought about, Rwanda should not rely only on LED approaches but also work differently to achieve its ambitious vision and economic aspirations. Among the core challenges to address are: LED awareness and ownership by stakeholders at all levels including district proper implementation of their first LED strategy 2018-2024; strong sectoral coordination and harmonisation at both central and local levels; LED success will strongly depend on resource mobilisation for basic infrastructure and investments as well as an enabling environment for LED processes. This Calls for particular support to the private sector to lead local development, tapping into local potentialities through industrialisation and value-adding activities leading to economic growth, job creation and reduction of poverty. To sum up, this background and state of the art for LED in Rwanda sheds light on its steadily growing importance in national policies. With the above, this research seeks to discuss the central role of the private sector, which is supposed to lead the local development as per theory and policy aspirations in Rwanda's "private-sector-led economy". From this perspective, the challenges hampering the private sector role to unleash LED (which needs working capital or access to finance) will be assessed to analyse their suitability as tools to ignite LED in Rwanda.

CHAPTER 3: THEORETICAL PERSPECTIVES AND LITERATURE REVIEW

3.1 INTRODUCTION AND PURPOSE OF THE CHAPTER

The purpose of this chapter is to set a theoretical foundation for the study by discussing the concepts and nature of LED and financing of Small and Medium Enterprises (SMEs). Thus, firstly, the chapter sets a background to macro-theories for economic development and domination of the west.[70] Secondly, it explores the concept and nature of LED; and thirdly, it examines the financing of SMEs with an emphasis on grants which is the nature of LCF while contrasting empirical studies on Rwanda and other countries.

3.2 INTRODUCTION TO ECONOMIC DEVELOPMENT AND MACRO-THEORIES

3.2.1 Background to Economic Development Theories and Western Domination

Historically, economics dates back about 3000 years (1000BC) in time of ancient Greece (600BC-200BC) to the Industrial Revolution (1760-1930) with the birth of modern economics by Adam Smith (1776) (Landreth & Colander 2012; Muller 2003; Scherer 1994; Whaples 2004). It is important to mention however that the real development or economic development (both terms are used interchangeably) might have started in 1945 after the World War (WWII) and the end of European colonialism. This was because colonised countries were seen as underdeveloped and poor with low living standards when contrasted to the rich and industrialised ones or the [71]so-called developed countries (Cowen & Shenton 1996; Krueger & Myint 2016). Furthermore, according to UN World Economic and Social Survey (UN-WESS) (2017: 23), the period from 1945 to the 1970s was "a golden age of capitalism", a development cooperation phase[72], signalling prosperity and happiness for Western Europe and East Asia while America was positioned as the richest economy. This "baby boom" period was characterised by wide industrialisation (UN-WESS 2017). The economic dominance of the west was evident during this period; 17 European countries and Australia relied on an American loan through the Marshall Plan for their economic revival in the aftermath of WWII and in the following two decades, their economies were flourished. At the

[70] "West" or "Western World" stands for Democratic and industrialized countries of Europe and America and Developing or Underdeveloped countries like Asia, Africa, and Latin America (Krueger & Myint 2016),
[71] The Western countries had realized sustainable economic growth thanks to the industrial revolution of 1760-1830 (https://www.preceden.com/timelines/67774-history-of-economics. accessed 10 December 2019)
[72] Creation of WB, IMF and economic loans for economic revival between industrialized countries.

same time, they became dependent on the US for both its loans[73] and increased the industrial goods market. Unlike the US and Europe, Africa was involved by their European colonisers in both WWI and II and was devastated because they used a lot of resources that kept supporting Europe during the aftermath of the wars. They kept exporting minerals and agricultural produce to their European colonisers which enriched Europe to Africa's detriment and led to impoverishment. This established the western and northern domination and hegemony over the South as well as the persistent inequalities between both world blocs (Magid 2012; Tokunbo 2014; WEES 2017).

Besides this, since the mid-1700s, development theories kept changing over time, those valuable become invaluable, those complementary become rejected, and at other times, some were considered as mere rhetoric (Jomo & Reinert 2005). Correspondingly, the big paradigm shift in economic development took place in the 1980s, because the economic growth[74] as development was seen as a proxy for both economic and wellbeing on the one hand, while at the same time the traditional development strategies had failed because of aggravating poverty and heavy debts in developing countries on the other hand. Therefore, since the 1980s, development strategies and their measurement were strongly criticised. In parallel to failing economic strategies in the South and the intervention of the capabilities approach theory[75], the partial quantitative measurement (GDP-based) that dominated previous economic schools of thought shifted to a broader, multidimensional economic development approach that comprehensively gauges both human wellbeing and economic growth. Thus, a radical change of thought was that "People are the real wealth of the nations" asserting that people's freedom of choice consists of qualitative improvement, expansion of capabilities of people and states are essential[76] (BBahrija et al 2016; Krueger & Myint 2016; Skousen 2007; UNDP 1990). The study will explain how the LED approach appeared and stands for both economic realms of growth and wellbeing while opposing the hegemony of the west.

[73] It enhanced liberal capitalism in favour of the US while forging international solidarity with Europe (Magid 2012:1-7)
[74] The classical school of economic development by Smith & David Ricardo by labour for "wealth of the nation" the economic growth supposed that GDP was enough to measure both economic *growth* & *social development*
[75] Or "Human development" attributed to Amartya Sen & Martha Nussbaum in the 1980s as an alternative to measurement to welfare economics
[76] The UN first Human Development Report was published in 1990 and onwards.

3.2.2 Introduction to Macro-Theories

Since the seventeenth century, the most recognised influential economists whose thoughts are the foundation of major economic theories were Adam Smith, Karl Marx and Keynes. Their beliefs led to multidisciplinary doctrines on economic phenomena over time, with the variables such as wealth creation, growth, prices and values and the relationships and importance between them. Post-WWII, there was a separation in development economics thinking (Barber 2002; Jomo & Reinert 2005).

3.2.2.1 Classical and neoclassical economics

- **Classical economics:** Classical economic theory was credited to Adam Smith (1723-1790) who was known as the father of modern economic science. In his famous work "*The Wealth of the Nations"*, Smith espoused the benefits of capitalism and the free market due to his beliefs in "*laissez-faire*" economics and the "*invisible hand*" based on individual self-interest and people's interdependence which converged to create the power of the market system as self-regulation (Skousen 2007; Jomo & Reinert 2005). Smith's theory was criticised for: 1) overzealousness of generalisation; 2) negligence of external growth factors namely market demand; and 3) human consideration as production objects, among other criticisms. Despite the critics, Smith's classical theory kept leading the economy (Skousen 2007, Blanchard et al. 2010 cited in Rodrigo 2020).
- **Neoclassical theory:** Unlike classical economics, the neoclassical theory of growth is based on several assumptions, namely, rational preferences between outcomes; maximisation of utility and profits on individuals and firm respectively; and then on independent people's action based on full and relevant information. Contrary to the labour-value-based economy under classicism[77], the neoclassical theory highlights that an economy is rather consumer-needs and market-demand driven. Therefore, neoclassical economics is diverse and focuses on supply, demand, profit, and satisfaction with better allocation of the resources which are land, capital and labour leading to a high-value outcome (Jomo & Reinert 2005). It was also found interesting in Weintraub (2019) that neoclassical economics meta-theory builds on key assumptions namely people's rational preferences, individual utility and firms' profit

[77] Smith in classical economics argued that market prices are determined by the labour force

maximisation well as people's independent acts based on relevant information (Weintraub 2019). The neoclassical theorist believes in foreign investments, international markets and specialisation, and argues that the capitalist free market system is the best possible system for national welfare and adjustment of market imperfections. Like the classics school, the neoclassical theory which may be appropriate to western societies and large corporations for profit maximisation is criticised for neglecting the social issues (real people and their behaviour, the so-called "economic man") (Jomo & Reinert 2005; Skousen 2007). It asserts that the meta-theoretical framework of this theory gave birth to other theories, namely liberalism, modernisation (with stages of growth), and regional economic theories among others which will be analysed later to inform the theoretical model of the research. However, neoclassical practices in the underdeveloped world may call for synergy with endogenous practices for both valuing them in their own right and addressing the effects of globalisation on them. This will be discussed in more detail later.

3.2.2.2 Marxian economics theory

Karl Marx, the German Philosopher (1818-1883), was against the exploitation of mass labour by minority capitalists. Karl was known as the father of socialism and communism and his theory continues to influence current socioeconomic systems. Though rooted in classical economics, Marx included utopian ideological elements which created a superstructure in the social, political, moral, religious and economic context. To him, this was the key determinant in production and growth. With the importance of labour, skills and technology in mind as in the classical production model, he emphasised the importance of social relations in optimising labour production and growth. Unlike Smith's generalisation and harmonious principles of production and growth among nations, Marx believed argued that social relations are critical elements in production models and for growth in society and relationships between nations. Marx and Lenin energetically criticised transnational corporations, arguing that foreign investments in developing countries were imperialist and capitalist, which to them were "evils to be exorcised". Marx was further criticised for being economically deterministic, and not providing any real alternative to capitalism in a contemporary economy (Kenton 2019; Jomo & Reinert 2005). Though criticised, Marx greatly inspired the world especially in questioning social development and its inherent inequalities. This will therefore guide the present debate on development models between classical generalisations

or distinctive model approaches in matters pertaining to LED. Following is the evolution of the classical model.

3.2.2.3 Keynesian economics

John Maynard Keynes (or Cannes) who lived from 1883 to 1946, intervened with a new economic approach during the economic recession of 1930. Keynes saved[78] the world with his work "*General Theory of Employment, Interest, and Money"* published in 1936. While Smith's microeconomic approach failed to explain the 1930 economic recession phenomenon, Keynes introduced a macro-economic approach that did explain it. He rejected Smith's idea of a self-correcting economy and stood for the totalitarian approach underlining the critical commanding role of the government in capitalism. To him, a self-regulating market would take too long for full employment revival and would lead to economic inefficiencies and social and equity deprivation. Thus, he rejected the idea of self-equilibrium by 'the invisible hand', arguing that government must exercise control of the economy through monetary and fiscal policy because demand, supply and prices are not as flexible as previously idealised by classicists. Keynes considered the complexity of economic realities and shifted from the single market and microeconomic indicators to macro-economic aggregated variables of supply and demand in both national and international settings. However, the Keynesian model was criticised for being appropriate for demand-constrained economies (industrialised world) but not for underdeveloped economies characterised by irregular supply constraints (Jomo & Reinert 2005; Krugman 2018).

Despite disagreements, it can be said that all the economic schools are rooted in the classical economics of Adam Smith albeit later corrections or improvements show some differences. It appears therefore that the four schools present four key elements:

- labour and the cause-and-effect relationships between employment and economic growth with varying humanistic or capitalistic motives/views depending on the school;
- market equilibrium and values as determined by (a) labour force, skills and technology (Classicists & Marxists); (b) production factors for marginal utility (Neoclassicists); or (c)

[78] Because deep crises might lead to serious sociopolitical consequences namely unemployment, poverty, conflicts, wars, communism, even another World War, etc.

prediction of aggregate demand and supply at national and international levels (Keynes) on the one hand, and market spontaneity and /or state intervention on the other hand;

- free trade and capitalism and its social drawbacks and appropriateness to the developed and underdeveloped worlds since most of the schools are pro-western models to the detriment of the South; and
- beliefs on distinctiveness or generalisability of the economic theories and the implications thereof for the recipient economies.

Since the development of these main economic theories, several offshoots of economic development theories and sub-schools have developed[79]. These are but not limited to neoclassical/capitalist theory: Neo-Keynesian school, neo-Marxian, modernisation, heterodox, orthodox, neoliberalism, mainstream theories; and those which are social and human-centred or a hybrid of neoclassical theory: structuralism, endogenous, alternative theories, human capability approach, sustainable development, decentralisation, post-development theory, and LED, among others. Macro-theories and related schools further inform the theoretical discussion of this study, especially neoclassical, endogenous and alternative theories that capture the main features of LED theory as elaborated in the next section.

3.3 RATIONALE AND BACKGROUND TO LOCAL ECONOMIC DEVELOPMENT

3.3.1 Rationale for LED

The rationale for LED takes different forms given the complexity and multi-purpose nature of the LED approach. This is an attempt to answer two important questions: (1) why historically the LED approach was adopted in both industrialised and developing countries; and (2) why LED is an emerging and recommended approach in developing counties. To answer these questions, the following arguments are advanced:

- **Failure of development approach generalisation:** As seen in the macro-theories and their respective schools, there is no formula for development success. Several researchers agree on this but have argued that the same strategies can lead to different results in different places, and today's successful strategies may not be so tomorrow (Hoff & Stiglitz 2011, cited in

[79] Separation or corrections of main theories for better applications

Berhanu 2014:28). According to Bahrija et al. (2016: 237), from 1940 to 1980, the development strategy failed to bring about equity in developing countries; instead, the wealth gap widened over the years between the southern and northern hemispheres until the 1980s when scholars and the international community realised the importance of relying on alternative and endogenous development approaches with a human face (ILO 2012; Kačar et al. 2016; Kraay 2004; Mearman 2007; Schischk 2002; Shaker 2015; Thorbecke 2006).

- **Failure of development-from-above:** Macro-economic or conventional development approaches also known as a top-down approach (development-from-above and trickle-down) failed to address development challenges especially in the marginalised regions in the South. To this end, an alternative and territorial-based approach commonly known as LED with an approach of "development-from-below" seems to be generally appropriate for the developing world compared to macro-economic policies (Agbevade 2018a; Berhanu 2014; Kwame, Nyigmah Bawole & Ahenkan 2013; USAID 2003).
- **Intended objectives and multiple benefits of LED strategy:** Oduro-Ofori (2011), in addressing the rationale for LED, emphasised the intent and objectives of the LED approach given its many benefits, namely, job creation, local, national and regional market competitiveness, local enterprise development and local area potential development. He added that the LED approach leads to the development of new infrastructure and institutions. In addition to benefits offered to the localities, the LED strategy addresses poverty, social issues and economic growth.
- **Globalisation:** This term means both globalisation and localisation. Globalisation means little control by the government due to global forces for production and markets that affect all regions, while localisation means internal forces, decentralisation and a shift of power and control from government to the locality. Thus, LED enhances the resilience of developing countries to adapt to shocks of globalisation, which is characterised by unequal relations in trade and, at the same time, helps to take the opportunities offered by globalisation, namely, markets. The researcher was interested in the work of Aakriti (2019) on the effect of globalisation in the sense that it exacerbated social problems such as health care services, widening inequalities and chronic poverty among other effects. That is to say that the LED strategy caters for glocalism (glocalisation) in enhancing the role of local economies in a global

context or duplicates global activities (Aakriti 2019; Berhanu 2014; Montjoy 2005; Rogerson 2000).

3.3.2 Historical background to LED and its generations

3.3.2.1 Historical background to LED in the world

LED started in the global north in the 1960s during the economic restructuring and decentralisation period (Rogerson & Rogerson 2010). Kwame et al. (2013) stated that LED was used in Europe and UK to address unemployment that followed the economic restructuring and slump of industries after the two World Wars. Along the same lines, LED was adopted in the developing world from the 1980s to address the failure of the conventional development top-down approach and limitations of the central government to intervene at the local level and particularly the unsatisfactory outcomes of the SAPs[80] of (1980-1990) that led to issues of unemployment, poverty and burdensome debt, among other issues. They argued that developing countries needed to rely on comparative advantage to have a seat in globalisation, but also to adapt to economic crisis shocks. For this reason, LED was put on governments' and international organisations' agendas (Ayandibu & Houghton 2017; Kwame et al. 2013; Nel & Rogerson 2001; Rodriguez-Posé & Tijmstra 2005).

According to Nel and Rogerson (2001), one of the strong rationales for LED is the crisis of capitalism that became apparent in the late 1960s and highlighted the limitations of capitalism and the weakness of the branch-plant economies[81] it created. Southern economies suffered from a lack of local autonomous decision-making, increasingly narrowed occupational opportunities, and corporate sector enterprises that no longer provided industrial environments conducive to indigenous economic growth. Therefore, attention shifted towards indigenous development and local capacities to generate self-sustaining economic growth.

- **LED generations from 1960 to date**

From 1960 to date, the LED approach trajectory evolved through three major stages or waves of development: the first wave (from the 1960s to the early 1980s); the second wave (from the 1980s

[80] Structural adjustment programmes proposed by WB and IMF
[81] To build factories in another country with the objective of making it the market (i.e US industries in Canada after WW I)

to the mid-1990s) and the current third wave (from the mid-1990s to date) (WB 2004 cited in Junior& Rylance 2005:4). Berhanu (2014) and Oduro-Ofori (2011) stated that at each stage, practitioners and policy makers' beliefs dominated the LED practices and policies which were accompanied by both success and failure. Furthermore, each LED wave/generation characteristics were identical, but challenges and some elements remain unchanged. The three stages of development identified were based on the identical focus and tools of the waves. Swinburn and Yatta (2006:8) argued that the two first waves were characterised by traditional practices while the current third wave embraces modern practices (see Table 2 for more details). It is important to mention that since the 1980s, the LED strategy has attracted considerable research because it coincided with the period of failure and disappointment of conventional development and reliance on endogenous development including LED (Beharnu 2014; Bahrija et al. 2016). According to Oduro-Ofori (2011), though LED evolved in three stages, some characteristics were top-down approach with no knock-on effect as expected.

With little attention to the issue of land tenure, strengthening linkages and prioritising the sustainability of small, medium and micro-enterprises were not priorities. The third wave is characterised by localising global trends also known as "glocalisation"; that is to say, consideration of global influence and opportunities while acting locally or connecting local comparative advantage to the global scene (Berhanu 2014). Table 2 summarises the LED waves from the 1960s to date.

Table 2: Main stages of Local Economic Development

Wave	Focus	Tools
First: **From the 1960s to the early 1980s**	During the first wave, the focus was on the attraction of: • mobile manufacturing investment, attracting outside investment, especially the attraction of foreign direct investment • hard infrastructure investments	To achieve this cities used: • massive grants • subsidised loans usually aimed at inward investing manufacturers • tax breaks • subsidised hard infrastructure investment
Second:	During the second wave the focus moved towards: • the retention and growth of existing local businesses	To achieve this, cities provided: • direct payments to individual businesses • business incubators/workspace

Wave	Focus	Tools
From the 1980s to the mid-1990s	• still with an emphasis on inward investment attraction, but usually this was becoming more targeted to specific sectors or from certain geographic areas	• advice and training for small- and medium-sized firms • technical support • business start-up support • some hard and soft infrastructure investment
Third : The late 1990s onwards	The focus then shifted from individual direct firm financial transfers to making the entire business environment more conducive to business. During this third (and current) wave of LED, more focus is placed on: • soft infrastructure investments • public/private partnerships • networking and the leveraging of private-sector investments for the public good • highly targeted inward investment attraction to add to the competitive advantages of local areas	To achieve this, cities are: • developing a holistic strategy aimed at growing local firms • providing a competitive local investment climate • supporting and encouraging networking and collaboration • encouraging the development of business clusters • encouraging workforce development and education • closely targeting inward investment to support cluster growth • supporting quality of life improvements

Source: (World Bank 2004 in Junior& Rylance 2005)

3.3.2.2 LED in Africa

According to Myer (2014), Nel and Rogerson (2001) and Rodriguez-Posé and Tijmstra (2005), LED in Africa might have started first in South Africa in 1990 as a front-runner in the SSA region and LED laboratory of Africa. It was implemented first in post-apartheid South Africa as a development option to deal with many challenges faced by the country. Thereafter. the model and experience spread to other developing countries as a laboratory for experimentation and innovation, but also for learning how to empower localities to address poverty and economic growth. According to Plummer and Taylor (2001), LED measurement should take into consideration a local development model (learning, knowledge, institutional thickness, and social capital). In addition, LED requires an understanding of how market forces combined with non-economic variables shape economies and affect community welfare. In SSA, LED has been identified with self-reliance, survival, and poverty alleviation, rather than participation in the global economy, competitiveness, and finding market niches, although LED requires a minimal

enabling environment for success (Binns & Nel 1999, cited in Rodriguez-Posé & Tijmstra 2015: 4-5, Purshottama &Malcolm 2012). Referring to the above LED mainstages, it is important to mention that the global economic crisis of 2007 and 2008 that occurred in the most recent stage of LED (the late 1990s to date) worsened the socioeconomic conditions in Africa which constitutes an additional rationale to rely on LED strategy; the projected downturn was in the following factors: drop of short-term flows in remittances, fall of general export especially the primary commodities[82], significant reduction of FDI among others. The global demand slowdown on Africa was estimated to affect Africa from nearly 6.5% (2002-2007) to 1.7% in 2009 with a loss of 5% in one year (2008 to 2009) though it was rebounded nearly to 4% in 2010. That is why in 2009, the UN assumed that to get out of the crisis, African economies were in critical need of promoting industrialisation, easy access to the global market as well as green agriculture revolution. The negative impact of this global crisis includes illicit capital outflows from Africa[83], unemployment, food insecurity, heavy depts to name a few (Bandara 2010:1-17; Arieff, Weiss a& Jones 2010: 1-12).

3.3.2.3 LED in Rwanda

In Rwanda, the LED approach was adopted in 2000 with the wave of decentralisation but the first strategy, known as CD and LED strategy 2013-2018, was adopted only in 2013 as an instrument for decentralisation and CDP. The strategy entered its second generation (2018-2024) while the first national CD and LED policy still being approved by the cabinet in June 2020. The aim of the LED approach in Rwanda is to strengthen decentralisation, enhance employment, reduce poverty and make LGs economically stronger and self-reliant (This was covered extensively in Chapter 2).

3.3.2.4 LED movements

The increasing importance and relevance of LED strategy can be seen in the rise of regional and global movements aiming at promoting LED strategy on both policy and best practice sharing. Notably, the increase in LED movements coincides with the third generation of LED (after the late

[82] These are natural resource products namely oil and minerals
[83] These were worsened by the consequences of the crisis namely theft, bribery, money laundering, human trafficking, weaponry among others (Arieff A. et al. 2010)

1990s) which is the development wave for international cooperation (see 3.3.2.2). The key LED movements are as follows:

- United Cities and Local Governments (UCLG) is a world organisation of cities and governments created in Paris in 2004. The information found in UCLG (2019) suggests that the UCLG stemmed from the international municipal movement that celebrated its centenary (since its creation in Ghent, Belgium in 1913) in 2013. The UCLG aims at amplifying the voice of LGs through implementation, learning, advocacy, monitoring and follow-up.
- Local Economic Development Network of Africa (LEDNA) is a pan-African initiative founded at the LED conference of UCLG Africa in 2006 in Nairobi, Kenya. LEDNA aims at promoting local economic development in Africa through building capacity and practices of LED. LEDNA is a platform for information and knowledge sharing and supports LED operations ensuring an enabling institutional environment at LGs for the delivery of LED. The overall objective of LEDNA as an LED movement is to fight against poverty and promote the improvement of socioeconomic conditions through capacity-building and support in the planning and implementation of LED programmes (LEDNA 2019).
- Commonwealth Local Government Forum (CLGF) is a platform bringing together 53 Governments making up the Commonwealth. The Cardiff Consensus of 2011 adopted the LED agenda to promote LED, an enabling environment at the LG level, and enhance partnership with the private sector and other partners. CLGF invests in knowledge development about LED through sharing best practice and capacity development of members from Commonwealth member countries (CLGF 2015, 2019).

3.4 LED CONCEPTUALISATION AND EMPIRICAL LITERATURE

3.4.1 Defining Local Economic Development (LED)

LED until now has no universal unanimously accepted definition. This is because the LED concept is very complex, according to many authors (LGSP-LED 2010:1; Mier, 1993, cited in LGSP-LED 2010:1; Rodriguez-Posé 2001; Rowe 2009). They all agree on its complexity, its mixture of concepts and practice and also agree it to be sometimes pure rhetoric. This means that LED lacks a dedicated coherent body of theory and its theoretical framework is based on numerous theories from various disciplines. Pavel and Moldovan (2019) pointed out that though the LED definition

is continuously evolving, it has a common basis in its endogenous and multidimensional nature. To comprehensively define and explain LED, key LED global institutions, namely, WB, UN-HABITAT, ILO and GIZ will be relied on.

WB (2006) defines LED as a process of building the economic capacity of an area to improve the economic future of life for all, where all stakeholders – public, non-governmental and businesses – work together for economic growth and employment generation.

According to the same source, from the orthodox perspective, LED practice means the orientation of local communities to local, national and international market dynamics. In addition, LED is implemented to improve the investment climate to enhance the productivity and competitiveness of local businesses, entrepreneurs and workers. WB (2006) argued that a successful LED builds on a good analysis of strength, weakness, opportunities and threats to local businesses and an enabling environment to be ensured by the municipality.

Based on this view of LED, key five terms for further comparison with other definitions can be highlighted: (1) economic capacity[84] of an area (locality centrality); (2) aim of improving life for all; (3) participation of all local stakeholders; (4) economic growth; and (5) employment generation.

In explaining what LED is in practice, WB reveals three key ingredients for LED: (1) investments (capital); (2) an enabling environment; and (3) a comprehensive analysis of the local milieu for productivity and competitiveness of businesses and entrepreneurs.

UN-HABITAT (2003) defines LED as a participatory process where local people from all sectors work together to stimulate local commercial activity resulting in a resilient and sustainable economy. It is a tool to help create decent jobs and improve the quality of life for everyone, including the poor and marginalised (Trousdale 2003).

According to ILO (2002), LED is a participatory development process that encourages partnership arrangements between the main private and public stakeholders of a defined territory, enabling the joint design of a common development strategy, by making use of the local resources and

[84] The economic objective of LED comes first for LED, while improved life for all comes in second place (Social objective): LED is an approach with dual objective: "economic and social development"

competitive advantage in a global context, with the final objective to create decent jobs and stimulate the economic activity.

According to ILO (2013), LED is not just an economic approach. It creates a sustainable bridge between relief and development in (1) giving a voice to disadvantaged groups in participating in decision-making; (2) valorising economic potential of local assets and resources especially informal sector activities; (3) building upon traditional forms of cooperation to address community issues; (4) fostering workers' rights; and (5) fostering environmental sustainability.

According to GTZ (2006), in liberalised markets, competitiveness is the key to economic development and thus to poverty reduction. They argue that competitiveness, in turn, is dependent on smooth, mutually beneficial collaboration between efficient firms (micro-level), a competitive private sector and efficient service delivery by municipalities (meso-level), and a supportive economic, legal, and political framework (macro-level), embedded in the meta-level (i.e., it is a social asset).

The research also found helpful information LED from the Erasmus University in the Netherlands (2019) which stated that LED refers to the processes by which local actors, state and non-state actors get together to raise income sustainably and improve their lives in a well-defined area. To them, the LED scope covers job creation, security of livelihoods, improving infrastructure and managing local resources.

From the above definitions provided by WB, ILO and UN-HABITAT, GiZ and Erasmus University, some key perspectives about LED are common, namely, economic growth, decent jobs, use of local resources, participation of stakeholders and mutual benefits. However, UN-HABITAT and ILO add "sustainable development" or "environmental sustainability" and "a locally owned strategy" that was not included in the WB definition. Additionally, "poor and marginalised (inclusion)" is added by UN-HABITAT. The GTZ and WB are more open for exogenous companies to make win-win arrangements with local companies.

In this context, both the WB and GTZ seem exogenous and pro-growth compared to UN-HABITAT and ILO which are pro-community and inclusive with the emphasis on putting local development in the hands of local stakeholders (endogenous). In this regard, based on the above postulates and complexity of the LED approach, the definition shows the viewpoint of the LED

theorists or practitioners and beliefs. Having in mind that LED is a hybrid approach that pursues a double objective and given the current prevailing context, the following definition is proposed:

LED is a development approach based on local stakeholders' participation in shaping and leading development in their locality, for economic production and job creation through sustainable management of local resources, attracting private investments as well as enhancing an enabling environment for achieving local competitiveness, economic growth and an improved life for all.

3.4.2 Approaches to Local Economic Development and Success Factors

As seen above, LED lacks a coherent theoretical foundation but has common characteristics in its approach which have remained unchanged since the first wave. According to Blakely (1994, cited in Oduro-Ofori, 2011:46) and Seberang (2016:10), LED approaches focus on (1) business development; (2) locality development; (3) hard and soft infrastructure; (4) human resource or employment development; (5) community-based development; and (6) small business development in the informal sector for job creation and innovation. These approaches lie at the core of the LED strategy: infrastructure development in locality creates an enabling environment for business development and job creation. Likewise, community-based development embeds the endogenous characteristics of LED which considers the local potential of natural resources, human and social capital for capitalising on socioeconomic development. In addition, LED cannot succeed without the effective collaboration of actors, and therefore (7) institutional relationships and (8) public-private partnership (known as PPP) are prerequisites for success particularly for integrated planning and seizing comparative advantage. In addition, given the need for clustering, the LED approach requires (9) the sector-cluster approach through mobilising the joint effort of all actors namely businesses, academia, research and development, public agencies and NGOs. Finally, LED considers (10) a regional approach[85] with the aim of leveraging the resources in the surrounding areas (Oduro-Ofori 2011; Seberang 2016). It is worth recalling here the importance of the global economy and the need for accommodation of "glocalisation".

Given the complexity of LED and many expectations from the strategy, many authors namely ILO (2001), Boyd (2017), UNDP (2017) and SALGA (2019) agree with Blakely (1994) and Seberang

[85] This is important since comparative advantage must create local competitiveness to regional and global market «localization" cannot exclude regional considerations

(2016) on LED approaches. However, they add (11) value chain development for its impact on job creation, local business development as well as market development and (12) branding of the local economy: for its significance in attracting business and investments as well as developing global market competitiveness (Anholt 2005; Arku 2014). For instance, Rwanda developed its brand as a country of tourism, a conference destination and investment promotion. Likewise, all 30 districts of Rwanda developed their branding in 2013 with an updated local potentialities report and a brand document in 2019-2020 (GoR, *2020*). Depending on the prevailing context and development objectives[86], finally, the LED approach is inseparable from (12) skills and capacity development. According to UNDP (2017), a nation cannot succeed in its development without sufficient capacity even if it is self-sufficient in terms of financial resources. They went on and state that the "how" makes development better and that capacity development is a new solution to old problems (UNDP 2017).

Based on these authors' input, five approaches to LED in the developing world are presented. The approaches show that LED is a holistic approach in a specific locality or region that seeks to maximise socioeconomic outputs, namely employment, income, and access to services among other benefits. They argued that locality/regional centred development, growth poles and growth centre development, as well as locally integrated circuits, are the main approaches to LED.

Finally, based on the elements presented by Oduro-Ofori (2011), LED seems ideal and comprehensive for economic growth objectives in its intent to promote local growth, employment, promote infrastructure and locally integrated economic circuits. However, it lacks some features of planning and stakeholder engagement, especially the inclusion of informal businesses in the economic landscape because they constitute the majority in developing countries. In Table 3, the researcher proposes a more comprehensive approach to LED strategy.

Table 3: Approaches to local economic development

Key approach	Rationale	Objectives	Key actors
Locality-centred development	Infrastructure development both hard and soft (basic infrastructure, utilities...)	Create enabling environment for business growth and quality of life. Need for spatial planning and growth poles promotion	Government, Private sector, Development actors

[86] Pro-poor or pro-community focus development

Key approach	Rationale	Objectives	Key actors
Local business development	Create a working local economy, production, innovations, need for value chain and cluster development, limited skills and technology for market competitiveness	Promote inward investments, the transformation of the informal sector + openness to foreign investment for employment and job creation. Inclusivity	Informal, formal business, Government and CSOs for skills development
PPP	The local private sector is financially weak Proper management of public expenditure is needed	To enhance local comparative advantage Synergy with the private sector	Government, Private sector
Integrated planning and participatory approach	Lack of voice of the community, top-down approach of conventional development, scattered interventions, lack of clusters	Stakeholder engagement and enhanced development-from-below with the aim of comprehensive strategic planning and execution Sector clustering	All local stakeholders, state, private, local communities and CSOs

Source: (Synthesis by the researcher 2020).

Based on the above approaches to LED, one can wonder what factors would maximise the returns out of the strategy. This is important since several authors confirm that the negligence or poorly implemented LED strategy together with its complexity leads to marginal returns.

3.4.3 Scope and Success Factors for LED

The wide scope of LED can be summarised but is not limited to job creation/employment, business development, local market competitiveness, enhancement of comparative advantage, inclusion[87] (for both business and lower social categories), incomes and economic growth, taxes, self-reliance, synergy and networking of local actors. Though some objectives can overlap, the objectives and success factors can be summarised in both tangible (infrastructure, resource and technology) and intangible factors (namely business culture, institutional capacity and community identity (BALLE 2018; Cunningham 2016; Mandisvika 2015; Meyer-Stamer 2008; Rogerson & Rogerson 2010; Rücker & Trah 2007; Trah 2004; WB 2003; Wong 2002,). The researcher summarised the LED dual-objectives and success conditions in Table 4 below.

[87] Improved lives for all: inclusion for businesses and social categories

Table 4: Summary of LED objectives and successful factors)

LED	Social objectives	Economic growth objectives
Objectives	• Improved livelihoods for all through access to jobs and incomes • Improved wellbeing • Participation of local actors	• Income generation • Economic growth in a locality and region • Self-reliance
Conditions: success factors	• Create enabling environment • Effective participation +Partnership (actors & Community) • Informal/Micro business support • Quality plan • Effective decentralisation • Structural and social policy changes and institutional capacity development	• Basic infrastructure • Innovation and technology • Skills & human development • Entrepreneurship/business culture • Investments attraction • SMEs/business agglomeration • Business incentives and assistance • Better use of available resources • Market development

Source: The synthesis by the researcher (2020)

3.4.4 Stakeholders and Respective Roles in Local Economic Development Cycle

With the challenges of the conventional development and marginal effect of trickle-down approaches, development planning is increasingly becoming shifted to local entities; that is to say that districts or municipalities are more responsible for local development together with other local non-state actors. According to Beyer, Peterson and Sharma (2003), participation in LED requires partnerships that ultimately depend on "local conditions and cultural and political context", and it is represented by participation and stakeholders' representation diversity to some degree. They went on to say that stakeholder participation caters for inclusion and participation of marginalised groups; transparency and accountability vis-à-vis task-sharing among stakeholders; equity and efficiency meaning equal chances for interest groups in decision-making and the proper allocation of finances and mutual support activities. The key actors are represented in Figure 14 which shows the stakeholders partnership on LED strategy all supporting the LG as it plays the central role for LED strategy as a facilitator, service provider as well as coordinator.

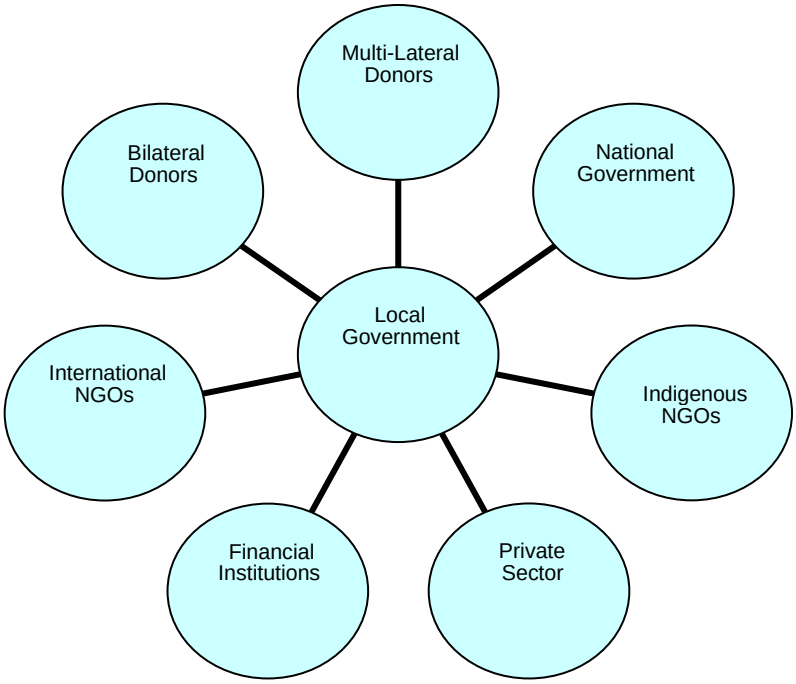

Figure 14: Stakeholder partnerships for the implementation of LED Activities

The key respective roles are as follows:

- Role of local government (LG): According to Berhanu (2016) and Oduro-Ofori 2011), LGs have a critical and central role of Service provider, regulator, catalyst as well as facilitator, stimulator and coordinator for its capacity to convene and coordinate the remaining actors All stakeholders need LGs to operate and engage.
- INGO – Donor organisations-[88] Partnerships: Participate in funding the national and local initiatives as well as capacity development and expertise provision[89].
- National – Sub-National Partnerships: Any public agency at the national or provincial level that engages in district/municipal LED processes.
- Sub-National – Private Sector Partnerships: Private sector federations are organised at national, provincial and district levels. They are encouraged to engage in the LED strategy.
- Financial Institutions – Civil Society Partnerships: especially defending indigenous and vulnerable groups. They provide microcredit and capacity-building[90].

[88] Made of international NGOs, development partners (DPs), Local NGOs, faith-based organisations and local associations of women, youth, etc.
[89] In the case of Rwanda, they participate in offering BDS
[90] In the case of Rwanda, they participate in offering BDS

3.4.5 How to Implement an LED Strategy

UN-HABITAT (2005 2-3) stated that LED strategy is not about "quick fixes" or generating a "wish list", rather a process involving a deep understanding of the context that goes through four main phases: (1) Where are we now? It is about stakeholders who kick off the situation analysis. In this phase, the LED approach requires a deep SWOT analysis of the natural, economic and societal capital of a locality that shows issues to be resolved and available potential and means. Next, it focuses on (2) Where do we want to go? Based on the SWOT analysis, this is about visioning and objective fixing. (3) How do we get there? This is about strategy development, action planning and implementation steps. Next (4) Have we arrived? This phase is about modification/adjustment that leads to the restart of the cycle (UN-HABITAT 2005). Likewise, WB (2006: 4-52) summarises the key stages in the LED cycle that answers UN-HABITAT into five stages namely: Stage 1 Organising the Effort for effective involvement of all stakeholders in their respective categories; Stage 2: Local Economy Assessment; Stage 3: Strategy Making; Stage 4: Strategy Implementation and Stage 5: the Strategy Review (WB 2006).

With the above, the complexity of LED and the necessity of various actors' participation are conditions for LED success on the one side. However, interference at the meso-level by national stakeholders could have a negative impact. Furthermore, the LED cycle requires effective and continuous engagement. With this background and context, it can be asserted that LED practice is not easy. It requires a strong local institution, that is to say, LED depends on LGs' leadership quality and technical capacity to use available limited resources and coordinate various interventions and interest groups for better outputs in the form of local growth, job creation and inclusion. However, the failure or marginal impact of LED strategies in developing countries is characterised by the common challenges of poor coordination, inefficient LED resource mobilisation, poor planning and limited skills (Agbevade 2018a; Beyer et al. 2003; Rogerson 2010). By the same token, according to the WB (2006), marginal delivery for LED might be closely linked to the complexity of the body of LED theory. That will be our next discourse on issues, such as (1) who takes responsibility for implementation; (2) targets, timing, funding and need to achieve targets; (3) reporting structures; (4) performance M&E; (5) budgetary and human resources; (6) institutional implications; and (7) the required skills for LED implementation.

3.4.4 LED and Micro, Small and Medium Enterprises

MSME development is among the core functions of the LED strategy, given multiple benefits they offer to citizens. Many authors (Ayandibu & Houghton 2017; Cunningham 2016; ILO 2019; OECD 2019; Rogerson& Rogerson 2011) have argued that the central role of local business in boosting endogenous development remains at the forefront of international debates. They stressed that SMEs contribute to poverty reduction, inclusive LED and constitute the predominant form of entrepreneurship worldwide, especially in SSA and Latin America (et al. 2019; Rogerson 2011). This is the reason why South Africa put in place a strategy known as the Rural Economic and Enterprise Development (REED) approach for its effectiveness in terms of poverty reduction (Junior, Proctor&Marr 2006:4).

OECD (2019) emphasised that SMEs are an essential driver for economic growth and wellbeing. SMEs represent 99% of the total businesses, 60% of total employment and 50% to 60% of added value. Hence, they are inclusive and sustainable economic growth helping to adapt to the pressing environment of globalisation (OECD 2019). Likewise, Cunningham (2016) and ILO (2019) argued that one of the functions of a properly functioning LED approach is to strengthen the enabling environment for MSMEs at the local level through encouraging membership in business organisations, offering training and leadership on value chain business development services (BDS) and providing access to finance. The same authors state that for LED to be successful, market failure must be addressed and local businesses must be supported for job creation and economic growth. LED builds on local enterprises because local businesses support livelihoods in the global South with the majority of those businesses being informal. For instance, AU and OECD (2018) consider local business, especially the informal sector, as a social shock-absorber; i.e., 282 million Africans occupy vulnerable and indecent jobs, and this vulnerable employment is projected to constitute 66% in 2022 (OECD 2018). In Rwanda, 93% of businesses are informal (GoR, NISR 2017). It is argued that “The linkages between the formal and informal sectors of the economy need to be understood and considered in the devising of a local economic development strategy”. To illustrate, we found interesting in the work of Kergroach (2019) and Clifford (2002: 182) on SMEs and their role in the national economy: of new jobs created between 2010 and 2016, SMEs contributed about 90% in France, 75% in the US and 66% in Germany and the UK which affected the average wage in those countries, that is to say, that in both developed and developing countries,

SME development is undeniably vital for the national economy and social welfare. Though they do not determine the state of the economy, they are recognised as the most dynamic, resilient and risk-taking sector as well as survival mechanisms. Particularly in developing countries, SMEs are substantial and contribute to export revenues in addition to employment (Keskġn, Sentürk, Sungur and Kiris 2010: 183-184).

Rogerson and Rogerson (2011) and Shuman (2015) using South Africa and US case studies, pointed out that multinationals may command capital and economy but they cannot replace the role of local and small businesses. They argued that the government needs to bridge the disconnection between business development and LED by ensuring a proper enabling environment for local business growth to emphasise their central role in local, regional and international development (Rogerson & Rogerson 2011; Shuman 2015).

As the backbone of this research, LCF is an instrument for LED-supported local business (MSMEs) to spearhead LED. From the growth poles perspective, LCF seeks to stimulate business agglomeration for synergy and greater economic results (GoR, LODA 2017b) which aligns with the views of ILO (2019) and Cunningham (2016) (see above). Therefore, the LED approach is intended to support local businesses whatever form and size given its irreplaceable role in job creation and income generation while valuing the local endowments (natural resources, human capital and institutions or organisations which constitute its competitive advantage) (Cunningham 2016; Rogerson & Rogerson 2011).

To that end, the LED approach Calls attention to informal workers[91] as economic units of production. However, informal workers such as street vendors and wastes pickers among other informal business doers are seen as a public menace. Therefore, a question is how to fully utilise this sector and create a fertile ground for them to transit to the formal economy. On this question, the ILO (2019) states that the LED strategy as an employment creation mechanism through MSMEs should include a multifaceted, comprehensive and inclusive social dialogue to provide an enabling environment for informal sector transformation. Therefore, informal groups, cooperatives, producers' associations, women and youth organisations, NGOs, chambers of

[91] Informal businesses are those of self-employed workers, who are not recognized or monitored by the government namely for tax payments. However, this sector constitutes the majority of the economy of developing countries. i.e. in Rwanda, it comprises 93% of the total enterprises (NISR 2018).

commerce together with private-public partnerships should all work together to reduce poverty and regenerate the economy (ILO 2019). Based on empirical experience in Ethiopia, Birhane and Biruki (2018) argued that MSMEs are better than larger companies in providing employment and reducing poverty.

OECD (2019) argued that current business and entrepreneurship conditions call for policy responses in the specific areas, namely:

- SME structures and business dynamism focusing on:
    - trends and performance in productivity and wages;
    - low performance in productivity and wages;
    - value chain development;
    - technology;
    - knowledge sharing; and
    - competition.
- Setting up an institutional and regulation framework for incentivising business, promoting transparency and reducing the level of informality among other benefits;
- Improvement of market conditions for greater participation of SMEs in both domestic, regional and global markets namely with digitalisation tools, economies of scale, enhanced agglomeration, innovations and knowledge sharing among other benefits;
- Infrastructure development[92] namely logistics, internet and ICT, energy, R&D and innovation which enable both small and large enterprises;
- Access to finance because SMEs face issues of information asymmetry, lack of access to appropriate sources of funding, lack of collateral and high transaction costs more than large firms;
- Alternative financing namely self-financing or asset-based funding solutions because access to finance is crucial to businesses;
- Access to skills development such as adult literacy, education, labour market entrepreneurial culture and training because of the difficulty of retaining skilled workers;

[92] Munir (2013) in his study of the role of SMEs in LED in Pakistan underlined the lack of basic infrastructure such as energy that hinders SMEs development and LED in general.

- Access to innovation and assets through technology, data, marketing, organisation and processes, R&D and networks.

This research will serve as a case study whereby the informal sector has been considered in the LCF and will analyse substantial changes needed in transitioning to the formal economy.

3.4.5 Value Chain Development as an Approach to LED

Value chain[93] development (VCD) and LED are mutually reinforcing approaches. Like LED, VCD enhances pro-poor development and employment creation by aligning enterprises with the business environment and enhancing the functioning of the market system which is also one of the aims of a properly working LED approach. In addition, VCD is not necessarily limited to locality; rather, it includes a consideration of national and international markets. It will, therefore, include key stages of inputs (raw materials), production and marketing. The UN through the Sustainable Development Goals Fund (SDGF) using Vietnam as a case study, stated that a value chain approach enhances not only LED but also women's economic empowerment, Therefore, according to the same report, the value-chain approach can help address the four SDGs namely (1) no Poverty, (5) gender inequality, (8) Decent work and economic growth as well as (10) Reduced inequalities. economic empowerment due to increased jobs, incomes, and economic opportunities for the rural population (Cunningham 2016; UN, 2017: 1-8). The four stages of VCD are pre-production, production, post-production and financing and support (Agbevade 2018b; ILO 2001). In the case of LCF, Figure 15 sheds light on Value chain development key steps for assistance to Small and Medium Enterprises with various support services.

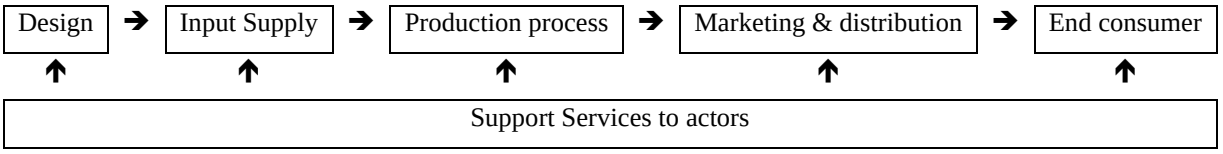

Figure 15: A simplified model of the input-output structure

Source: (Adapted from Berhanu 2014; McCormick 2001)

The LCF project targeted business partnerships in value chains; however, only the production and marketing stage were considered, while, for agriculture, only the post-production stage namely

[93] A Value Chain "describes the full range of activities that are required to bring a product or service from conception, through the intermediary phases of production (...), delivery to final consumers, and final disposal after use." This includes activities such as design, production, marketing, distribution, and support services up to the final consumer up to recycling (ILO 2001:2)

processing and marketing actors was supported by LCF. We also find interesting the work of the South African Local Government Association (SALGA 2011) on LED where access to markets and innovations in VCD constitute the success pillars of LED. In this regard, therefore, VCD is an important approach for LED in the sense that it connects the locality (and growth poles as an economic unit) to the global market in allowing exchanges in the form of markets for raw materials, technology or finished products. That is to say, VCD considers the reciprocal dynamics within the locality in the process of value addition creating the LED impact. This will be further demonstrated in the case of LCF (See 6.3.2.3).

3.4.6 LED and Inclusion

The real LED strategy is inherently inclusive and seeks to cater for welfare and economic growth. In analysing the criticality of inclusion, Parilla (2017) confirmed that there can be no sustainable growth if inclusion is not catered for. To be inclusive, the question is how to extend equality of opportunities to individuals, companies and places to foster an enabling environment and homegrown solutions for collective decision-making to shape the economic future. Inclusion is also about maximising the potential of the talents and entrepreneurship for achieving productivity, growth and competitiveness. The same author went on to state that although firms' success is measured on their revenues and profits, there is a growing recognition of the quality of the workforce as a determinant of the firm's future success. Both Bradbury and Triest (2016) and Parilla (2017) argued that there is a connection between equal opportunities and local growth. Therefore, inclusion is imperative for regional economic growth. The researcher found helpful information on LED inclusiveness in the EU Emergency Trust Fund for Africa (EU 2020) that seeks to ensure inclusion because it addresses long-term socioeconomic exclusion, inequalities and marginalisation of vulnerable groups, youth and women by removing barriers to economic opportunities and financial services. The EU argued that inclusion is addressed through employment by and support for MSMEs through increasing skills, VCD and financial inclusion.

Likewise in the US, inclusion in economic development has been made an imperative for economic leaders and local partners through avoiding barriers and inequalities to opportunities for both businesses and employment. However, technology reduces the availability of jobs because it is projected that half of all current tasks could be automated by 2055. Inclusive growth is defined as "A process of robust long-run growth by improving the productivity of individuals and firms to

raise local standards of living (prosperity) for all people (inclusion)". After the analysis of growth, property and inclusion in the US metropolitan economy, they concluded that inclusion [94]may be the key to economic success in the long run (Parilla 2017: 29; Shearer et al. 2018:1-25). The same author proposes some indicators for inclusive growth as shown in Figure 16 below.

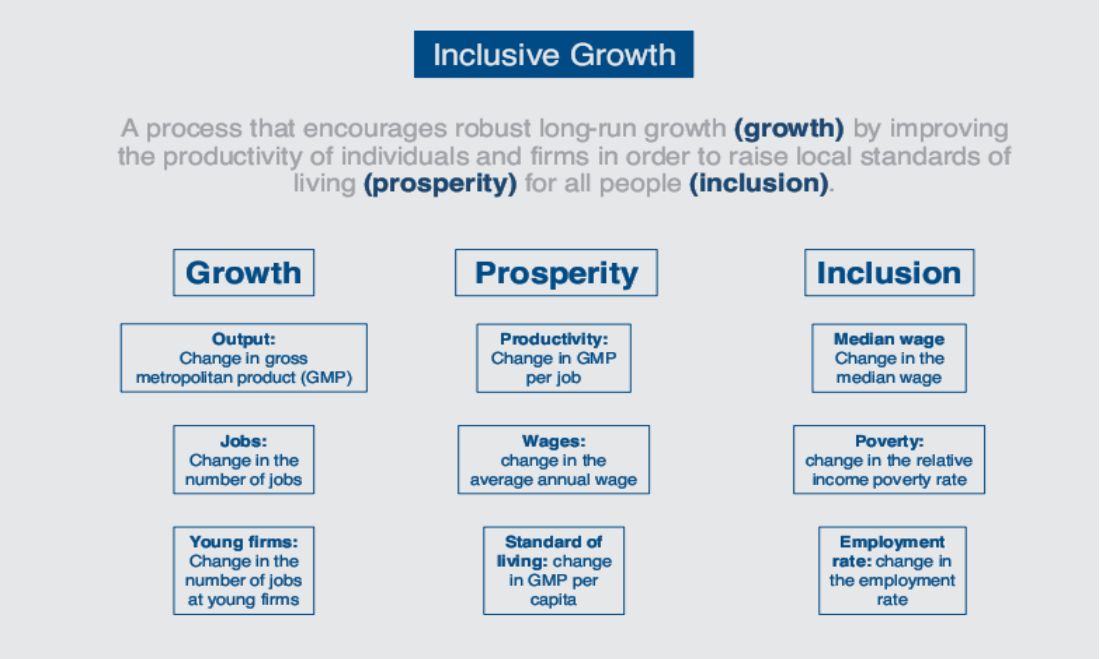

Figure 16: Inclusive growth model

Source: (Parilla 2017:29).

From the above illustration, it is clear that LED practitioners are tasked to promote local businesses by removing barriers to access, namely business dynamism barriers for creation and expansion, skills barriers that limit the potential to find a well-paying job, as well as access barriers isolating individuals from economic opportunities (Parilla 2017). The LED inclusion aspect will further be analysed in research findings (Chapter 6).

3.4.7 Inductive Reasoning as an Approach to measuring LED Impact

Unlike neoclassical economics, LED measurement caters for its hybrid characteristics of "social welfare" or intangible dimensions of living and "economic growth" or material dimensions and

[94] They argue that inclusion is addressed by reducing racial inequalities (white/black), adjust employment and wages and relative earnings poverty rate (Chad et al. 2018:8)

neither of the two can replace the other. Row (2009) argued that LED cannot be measured by traditional deductive reasoning for predictive theories, but its complexity Calls for inductive reasoning and measurement and typically Calls for experimental-type research (Row 2009) which is the case in the present research (see LED metrics below). Several authors (Harkness 2004; Kuklys 2005; OECD 2011) argued that comprehensive measurement of LED must encompass both qualitative and quantitative methods for its respective pro-poor and pro-growth characteristics.

3.4.7.1 Quantitative methods

Thulin (2014), American Independence Business Alliance (AMIBA 2015) and Mitchell and De Montfort (2019: 55-57) proposed the use of a quantitative method known as the "Local Multiplier" method (LM). The LM is an approach also known as the "local premium" method comprising of three key elements of measurement: direct, indirect and induced impact generated by local businesses (AMIBA 2015). The "local premium" method is perceived to be a convenient method for capturing and measuring certain components of LED. According to Thulin (2014), the economic base and LM methods can use different units of measurement namely employment, wages, sales, added value, and the like. The economic base model rests on the assumption that the economic activity (T) depends on two mutually exclusive sectors: the basic sector or local area (B) and non-basic sectors which represent the geographic area (NB). Therefore, T = B+NB and the multiplier (M) is a result of the change in economic activity (M= T/B). The total changes in local economic activity will be ΔT=M ΔB. Thulin also argued that the economic base and the LM method use more than one unit, namely, employment and wages generated during the LED intervention period.

- **Issues with LM methods:** WB (2015), Wong (2002) and Rodriguez (2007) rejected the pure quantitative methods for being partial because LED measurement requires a multidimensional approach. It is also not appropriate given the poor data availability which is inherent in weak coordination, poor planning and processes of practitioners in the South.
- **Comprehensive LED measurement:** LED hybrid characteristics and twofold objectives (social welfare and economic growth) call for comprehensive measurement, catering for both of its features. Reference is made to helpful information of AMIBA (2015) on LM effect of businesses, BALLE (2018), Rodriguez (2007), Thulin (2014), WB (2015) and Wong (2002). Rodriguez-Posé and Tijmstra 2005 and IEDC (2000) also agreed on the effects of local

businesses on LED and appropriate methods for LED measurement. The researcher has summarised the comprehensive metrics in Table 4.

Table 5: LED comprehensive LED metrics

Quantitative approach impact on (Companies/ municipality/Locality)	**Qualitative approach impact on (Individual wellbeing, family: Quality of life, material living conditions)**
1) Total employment (Added jobs) 2) Aggregated personal income 3) Business value added 4) Business output[95](wealth and income), 5) Effect of companies in the region 6) GDP (national)/ contribution to GDP (locality) 7) increase of businesses and their sustainability	1) wages and income 2) Access to basic needs (Health care, children education, personal security, incomes) 3) Jobs, wealth and housing 4) Property 5) Sense of belonging /social connections, etc.

Source: Synthesis by Researcher 2019

OECD (2011) pointed out that sustainable wellbeing encompasses natural capital, economic capital, social and human capital. IEDC (2000) added that LED impact can be seen on the Business Retention Relationship between businesses and municipalities and social responsibility taken by the assisted businesses. This is to say that a successful LED impact is seen in the increase and development of businesses in a locality. These indicators will be used in this study for measuring the impact of LCF across target districts.

3.5 LED AND SMES FINANCIAL AND TECHNICAL ASSISTANCE DEVELOPMENT

3.5.1 Background and Rationale for SMEs Assistance

According to OECD (2019) and ILO (2009), the majority of businesses are SMEs (99%), and the majority of jobs (60%) are offered by MSMEs in LMICs. However, there are severe constraints and huge financial gaps for MSMEs, given several difficulties such as access to traditional banks, business informality and low capacity to afford financial products offered by commercial banks, and for this reason, an appropriately tailored grant for micro- and small enterprises remains a crucial debate for both banks and non-bank financial institutions (ILO 2009; OECD 2019). The technical assistance to MSMEs is given in both financial and non-financial assistance (also known as BDS or capacity-building). According to Aya and Kengo (2017) and Cravo and Piza (2016),

[95] It referred to sales volume or total revenues that cover labour cost, business profits as well as material cost

SMEs development interventions can be in various forms, namely: (1) matching grants; (2) export promotion; (3) innovation; (4) training (technical assistance); (5) cluster-based development; and (5) tax simplification policies. They pointed out that the intervention outcomes will be in the form of (1) employment creation; (2) exports; (3) innovation; (4) investment; (5) labour productivity; and (6) firm performance indicators such as revenues, profits, property and assets, among others. Therefore, by borrowing the terms of Shuman (2015), developers should think and act differently to support and provide local enterprises with new trade niches and competitive advantage.

3.5.2 Importance of Non-Financial Services, the BDS and Economic Partnership for SMEs Development

Aya and Kengo (2017) identified two main types of BDS: (1) demand-side and (2) supply-side. They argued that much BDS provision especially of the supply-side type[96] have marginal effects. In addition, based on several studies, they argued that BDS usage is still limited. They pointed out that BDS has positive effects on skills development but a marginal effect on job creation and profit.

In the same spirit, many authors including Grimm and Paffhausen (2015), Bruhn, Karlan & Schoar (2018), Bloom and Van Reenen (2007), Bruhn et al. (2012), and Suzuki and Sonobe (2014), argued that financial assistance is a dominant form of assistance to SMEs due to low quality of BDS. However, the combination of both yields better results than only one of the two and are prudential measures to limit delinquency and default. Technical support can provide a range of training programmes such as financial management, marketing, technical advice, access to information, accounting and legal services, hackathons and incubators as well as mentoring services (Aya & Kengo 2017; EIB 2020; ILO 2009; Sievers & Vandenberg 2007).

Empirical experience shows that managerial training has a considerable impact on SMEs in changing their practices. Likewise, effects on job creation are generally marginal and depend on intervention design. Notably, the effects of BDS disproportionately resonate on SMEs sizes. While positive effects can be significant in terms of employment, export, labour productivity and firm performances on SMEs, it is not the case for micro-enterprises. Authors generally pointed out the

[96] Meaning those BDS not requested or not responding to the real needs of the businesses

low usage of BDS in SMEs in the South (an estimate of 65% of take-up rate), due to lack of knowledge and impact of the BDS on business growth.

Taking the example of LCF, it supports local MSMEs that are in critical need of both technical and financial assistance. Thus, LCF is a BDS-dominated model since it exhibits a combination of three factors for LED: financial and technical assistance as well as stimulating business partnerships. These aspects and the related contribution to business success will further be analysed in Chapter 6.

3.5.3 A Point on the Criticality of Financing and Key Challenges of SMEs

ILO (2009) argued that the context of MSMEs Calls upon banks and non-bank financial institutions to design appropriate financing packages because access to finance by MSMEs and employment are inseparable phenomena. Likewise, a recent report by the European Investment Bank (EIB) (2020) states that in the East African region including Rwanda, access to finance remains the main bottleneck for companies throughout the region. This is notably for SMEs and micro-enterprises (EIB 2020). The research found interesting information in the work of Hambayi (2019) on SMEs suggesting that they are future drivers of the African economy and highlighting the challenges and opportunities as well as the issue of the 'missing- middle' financial model. Africa has 1.3 billion people and is growing at a pace of 2% annually. Half the population in several countries is younger than 25 years of age and the population is expected to double in 25 years, which constitutes a huge opportunity for an expanding market. However, the African economy is dominated by the informal sector and 90% are MSMEs with a huge financial gap in their business operations up to USD136 billion annually. This financing problem is known in economics as the "missing middle" which results from the lack of development of a proper financing model for SMEs by traditional, commercial financial institutions, and the inherent risks associated with working with SMEs that cannot pay their debts. Therefore, investment for SMEs is key to unlocking economic growth (Hambayi 2019). The report by EIB (2020) revealed that in the East African region[97], 70% of domestic businesses rely on their own financing which hampers their growth prospects. The same report shows that though 92% of local businesses have a bank account, only 45% have access to loans. Figure 17 shows the details.

[97] Made of 6 countries which are Burundi, Kenya, Rwanda, South Sudan, Tanzania and Uganda

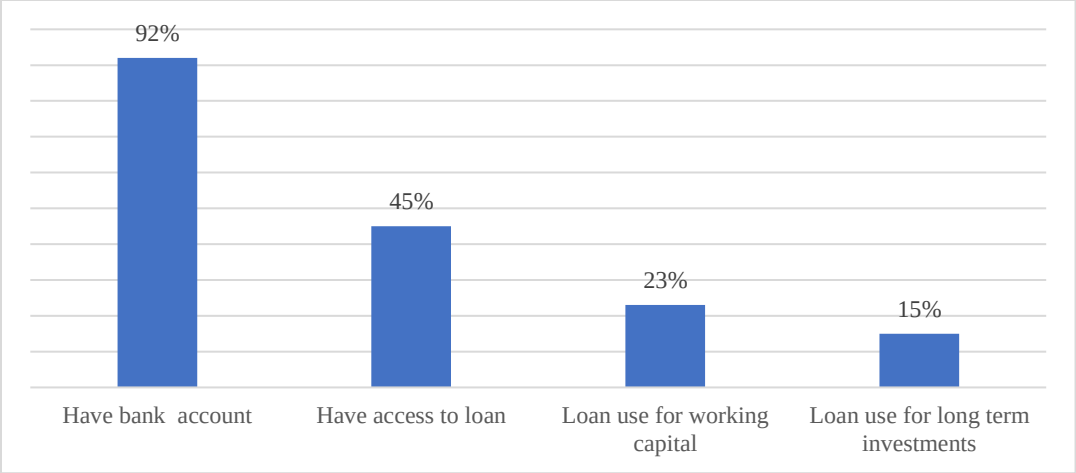

Figure 17: Situation of SMEs in the Eastern African region

Source: (EIB 2020).

Particularly for Rwanda, the same report indicates that 40% of microbusiness[98] are constrained up to 40% while SMEs are constrained to about 25% (EIB 2020). The situation seems common to the whole Eastern Africa region. Figure 18 shows the details.

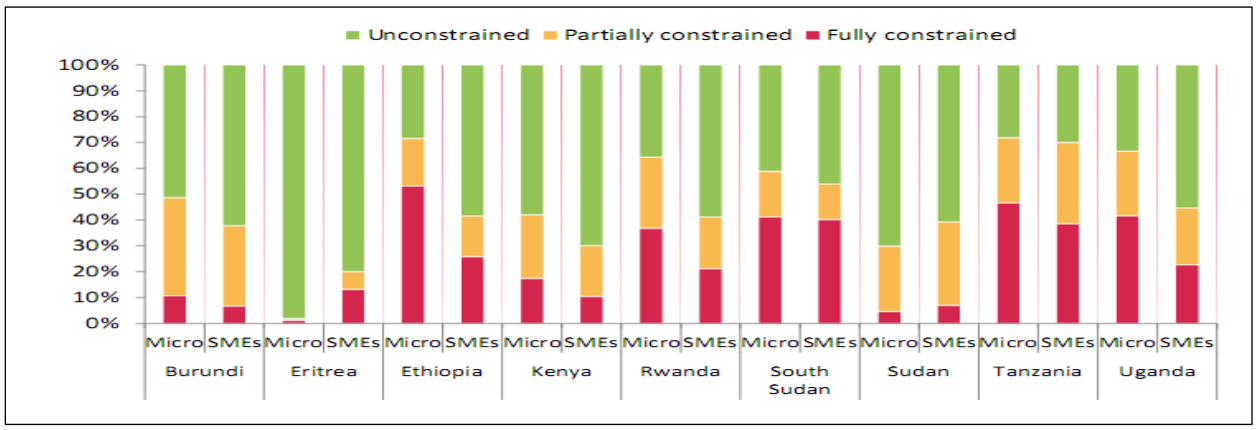

Figure 18: Financial constraints of domestic enterprises in Rwanda

Source: (EIB 2020)

The study was also interested in assessing the hindrance to investments for businesses. Table 6 below summarises the investment hindrances for businesses in Africa.

[98] Mostly self-employed businesses and dominantly informal of 1-3 staff (90.1%) GoR, NISR 2018).

Table 6: Root causes to investments of the businesses in East Africa (EIB 2020)

Causes	All Companies (%)	MSMEs (%)
Access to finance	22,1	26,3
Access to land	4,4	2,1
Licensing, permit and regulations	8	5,1
Court, crime & corruption	8,2	7,2
Electricity	15,1	16,9
Educated workforce	1,7	0,8
Political instability	4,7	3,5
Practices of the informal sector	12,2	8,5
Taxes rate & administration	20,2	22,4
Transportation	3,4	7,2
Total	100	100

Source: Synthesis by the researcher from EIB 2020

It follows that particularly for MSMEs, the root causes of marginal investments are mainly access to finances (26.3%); access to land and basic infrastructure such as electricity and transport (27%); and difficulties related to taxes, rates and administration (22.4%) among other constraints. In alignment with causes of poverty in Africa, it was found interesting in the Borgen Project (2018). in the work assessing the poverty in Africa which identifying the multiple causes of historical poverty in Africa which are cultural, geographical, structural and technological: i.e. poor governance, poor education, high levels of corruption especially in SSA, diseases and health care issues, and poor technology among others. The structural factors include weak institutions that are plagued by corruption, poor services for regulations and licensing as well as instability and poor infrastructure. They are also called " institutional voids[99]" (Bhattacharyya 2016; De Kok, Deijl & Veldhuis-Van-Essen 2013; Korankye 2014). Figure 19 depicts the constraints for MSMEs investments in the Eastern African part.

[99] It is when the institutions are absent or poorly functioning and this affects businesses as challenges or opportunities (Van Dijk 2018)

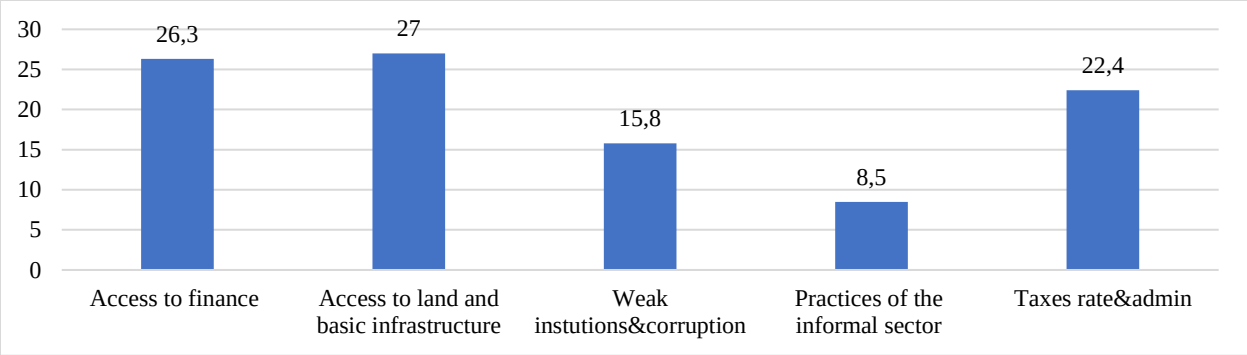

Figure 19: Root causes of limited investments for MSMEs in eastern Africa Region

Source: (Summary by the researcher from EIB 2020)

To conclude, MSMEs are the backbone of the countries' economies, hence financial and technical assistance to MSMEs is a good option for enhancing LED and inclusive sustainable growth (Parilla 2017). According to GiZ (2012), the characteristics and profile of an enterprise determine its capacity/potential for jobs and growth creation. To these are added firm size, firm age, firm technology and innovation, and access to capital. Location and human capital ownership are among other characteristics that influence the firm's productivity and the impact it can make. So, to do business growth and delivery in an enabling environment, namely access to finance, quality infrastructure, efficient regulatory services as well as low levels of corruption (GiZ 2012). It is therefore clear that the development of MSMEs requires a twofold intervention: a holistic approach and well-informed assistance, to ensure a good working environment. The following is an illustration from the WB report (2020) (Figure 20), indicating the criticality of the SMEs funding and expectation on employment across the world.

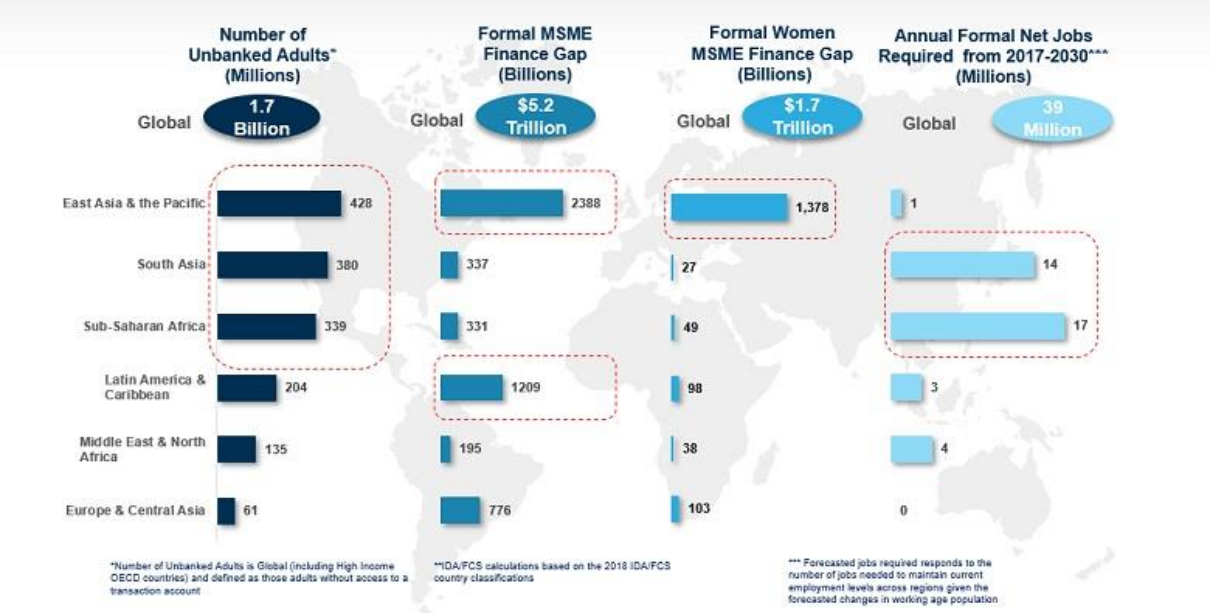

Figure 20: Enterprises financing gaps and employment projection by 2030

Source (WB 2020)[100]

3.5.4 An Inquiry into Public Grants as Part of SME Development

3.5.4.1 Rationale for public grants to SMEs

As seen above, development assistance can be both financial and technical. A combination of both financial and non-financial components yields better outcomes. Furthermore, empirical studies have shown the key challenges of financial access by the SMEs and rationale for assistance. Thus, this section explores public financial assistance as part of SME development. The financing problems for MSMEs arise from their informality and lack of appropriate financial products available from commercial financial institutions, yet they are the backbone of the socioeconomic development of countries in terms of job creation and contribution to GDP. The contrast of difficult access to sufficient finance and expectations for future economic development justifies the government interventions in this matter in the form of a grant. Therefore, public grants are part of inclusive assistance for access to capital.

[100] https://www.worldbank.org/en/topic/smefinance

3.5.4.2 The pros and cons of giving public grants to business

Grants can have multiple benefits as they can have also drawbacks depending on access conditions and use. The pros and cons of grants were addressed in the works of Williams (2020), and Mauer (2020). According to the authors, a grant is a government loan that is not paid back. Thus, it is extremely beneficial for an MSME. To put it differently, grants help businesses make savings, get working capital, buy equipment, and run their marketing activities. Grants are very important given the financial constraints encountered by MSMEs. However, empirical results show that the cons outweigh the pros particularly the government requirements attached to them: 1) difficult access due to competition for budgeted resources; (2) long waits for approval; (3) strings attached such as stringent rules for use and oversight; (4) grants are for short-term use; and (5) without an appropriate and profitable plan grants can give one a false sense of security and may lead to an uncertain future and closure of businesses.

It is also important to mention that grants can create financial market distortion. That is to say that if you give free money to companies, it makes the playing field uneven, and so companies that do not get the free money are treated unfairly.

In the case of LCF, though it is perceived as a pro-poor mechanism in favour of MSMEs, the LCF funding mechanism conflicts with the financial market interest rate of 18 to 24% charged by financial institutions. It also conflicts with Financial Services which is one of the mechanisms put in place by the government to accelerate graduation from poverty and extreme poverty (for people in lower socioeconomic categories/ Categories 1 & 2 of *Ubudehe* to evolve to start-up business doers). Mukurarinda (2018) conducted a study on the most suitable financial form LCF can be other than being a "matched grant". When confronted with equity, loans, guaranteed funds and matched grants, the study recommended that LCF should be a "*hybrid of revolving (repayable) grants and loans with affordable interest"* that is to be (11%) (Mukurarinda 2018: 58). As far as equity and fairness are concerned, LCF MSMEs are well treated (with matched grants) compared with Financial Services beneficiaries under Categories 1 & 2 of *Ubudehe* who must return the principal plus 2% (it used to be 11% before November 2019). In this regard, the researcher raises a concern about LCF as it might create a financial market distortion. Besides, it is also important to assess the relevance of grants in the Rwandan financial context. The National Bank of Rwanda (GoR, BNR 2020) considers financial inclusion as a means of achieving poverty reduction and

economic growth objectives in Rwanda. In this regard, 80% and 90% financial inclusion targets have been fixed for 2017 and 2020 respectively. According to Bizimungu (2018), as Rwanda serves as a model of a fast-developing economy in Africa, the BNR fixed a high target for financial inclusion (90% by 2020) and the financial sector is expected to play a central role in providing access to financial services namely savings, insurance, payments, remittances and empowerment of women. It is also expected to create formal credit for businesses and education investments though its transaction cost barriers might be not affordable by a large part of the population (Allen et al. 2016; Demirguç, Klapper & Singer 2013). Bizimungu (2018) reported that 72% of Rwandans have a bank account and 61.1% of those have accounts in microfinance and SACCOs present in all 416 areas of Rwanda. According to the same study, only 28.2% of citizens had taken loans and among those 33.2% obtained loans from MFIs and SACCOs. It is thus clear that financial inclusion is at a satisfactory level though loan access barriers remain high. Therefore, it can be questioned whether the grant is an appropriate model for the Rwandan context.

3.5.4.3 Empirical experience of public grants

The empirical experiences referred to are those in Europe, the US and Indonesia as well as the general status in the least developed countries to inform the study.

- **EU experience**

Dvouletý et al. (2020) wondered if financial support to SMEs through public grants and subsidies increase growth and performance. They argued that in the EU, public policies support entrepreneurship for pre-start-up, start-up and post-start-up SMEs is to address market failure which goes with training and education advisory services, counselling or direct financial support (soft loans or credit guarantee) and capital grant /subsides[101]. Dvouletý et al. (2020:1-2) and Cravo and Piza (2016) argued that little is known about the impact of this financial support directed to SMEs[102]. The experience from 13 EU countries since 2000 generally shows positive impacts of the grants on firm survival, employment, tangible assets, sales, turnover as well as labour and business productivity.

[101] As a financial instrument
[102] Thus a large knowledge gap on this

- **US. Financial inclusion for Businesses**

According to Parilla (2017), inequality of opportunities occasioned potential entrepreneurs lacking opportunities especially limited access to finance. In his study, he argues that the US lost talents due to limited financial inclusion.

- **Case study of Indonesia**

Though MSMEs has the lion's share of the national GDP, they experience more difficulties than large enterprises. The key challenges are the high cost of raw materials, marketing difficulties and lack of capital (Tambunan 2019).

- **Low and middle-income countries (LMICs) experience:**

Cravo and Piza (2016), in examining 40 support services in LMICs, argued that the financial support to SMEs aims at addressing market failure and institutional constraints. It aims at formalisation[103] of the business environment, exports, value chains and clusters, training and technical assistance, and access to credit and innovation. Like EU study experience, these authors realised that overall business support interventions boosted business performance, job creation and labour productivity (Aya & Kengo 2017; Cravo & Piza 2016; Dvouletý et al. 2020).

3.4.9 LCF as a LED Practice and SMEs Transformational Instrument

According to the literature review (see Chapter 4; 4.1 & 4.2), LCF is an LED instrument. Its design targets domestic enterprises, and its inclusion focuses on micro and informal enterprises and caters for the inclusion of lower social categories for employment. However, from a neoclassical-mainstream economics/orthodox viewpoint, LCF as an LED instrument looks like a growth-pole approach given its business partnership design, and thereof embeds potential for job creation and growth in target areas as per the theory postulates. It is a sharp instrument for MSME development. LCF has three objectives: (1) financial assistance through matched grant; (2) technical assistance as BDS; and (3) clustering in the form of business development/partnership. Similarly, from the literature point of view, LCF looks like a sharp instrument for local MSME transformation for three reasons: (1) policy relevance and triple-intervention; (2) quality BDS: combined supply-side

[103] Meant business registration, property registration and regulatory framework

and demand-side; and (3) supply-side: some training was compulsory but not necessarily requested as a condition to access grants. That is to say that the capacity-building under LCF was based on a skills gap analysis. It was also to yield good results thanks to a combination of high-impact training namely financial management and mentorship (See positive, heterogeneous and disproportionate impact of LCF BDS in Chapter 6).

3.6 INQUIRY INTO LOCAL ECONOMIC DEVELOPMENT AS A RESEARCH THEORY

Due to the limited scope of this research and broadness, interdisciplinary and complex theoretical relations of the LED theory (Row 2009), the researcher preferred to consider only major economic development theories, namely the growth-pole theory, the growth centre theory, the endogenous theory as well as human capability approach theory (See 4.4.1) which applied to the research. However, the researcher does not neglect the wealth of other development theories namely those of the neoclassical economics realm: neoliberalism, modernisation, new institutional economics, decentralisation, mainstream, orthodox and heterodox economic theories, political economy theories and dependence theory. Hence, theories on the human and locality-centred realm, the community development theory, the anti-development theory, will not be discussed in any detail. They will be cited but not emphasised except for the human capability approach theory discussed and applied to the LCF case study.

3.6.1 Introduction to LED Scope and Economic Schools

3.6.1.1 LED economic schools

After the above inquiry into the concepts of LED, it is important to make an additional theoretical inquiry into the research theory. According to Oduro-Ofori (2011) and Monakhisi (2008:80), LED belongs to two dominant main schools: "*development-from-below*" which implies the "endogenous and alternative development where development is local and institutional centred, and the region/locality takes control"; and "*development-from-above*" which finds resonance in neoclassical economics characterised by *trickle-down approaches*, which is a regional development perspective, the core and growth centre spreading out to the periphery and hinterlands. This is the theoretical position of the present research with a focus on this hybrid characteristic of LED. Therefore, according to Bahrija et al. (2016), Monakhisi (2008) and Rogerson and Rogerson (2010), LED is an economic geography model that Calls for both vertical

and horizontal regionalisation that addresses competing influences and responsibilities of the central level (vertical), and local/regional government and its partner-development bodies (horizontal) respectively. These features emphasise the complexity of LED on both a theoretical and practical basis. Therefore, this section intends to discuss the prevailing theoretical debates about LED theory and empirically evaluate this strategy in the context of Rwanda.

3.6.1.2 LED metaphors

Row (2009: 311) analysed the complex theoretical nature of LED and preferred to explain it using the metaphor of a "rhizomatic eco-philosophy". LED approach has been compared to a rhizome that can mushroom underground under certain favourable conditions. It hides its potential and may seem dormant but will eventually surface somewhere. This shows that economic opportunities can pop up anywhere in the economic landscape. In other words, any region or locality may hide many economic opportunities when the local potentialities are not well exploited. According to Row (2009), the rhizome can lie low and flourish once well treated. That is to say that the local potentialities can be transformed into economic opportunities in the form of adding value to the abundant raw materials, create industry, and improve technology which may lead to wealth in the locality. Therefore, a community might recognise this potential and be able to resolve its own problems.

In the same way, the LED strategy requires deep contextualisation taking into account local and external factors and multilevel influences; self-organisation without the influence of central-level government or multinationals; historical factors; multiple interacting factors and the specific context. It has evolvability, plasticity and robustness (Rhon & Sunley 2014). LED is an approach relying on the initiators (local companies) for both design and implementation. It can adapt to changes over time due to both internal and external factors/influence.

3.6.2 Introduction to LED as a Development Paradigm Shift

Development does not happen in a vacuum. It has ingredients that make up a recipe which is a "development paradigm". To participate in development, every country must have the political will for it to happen and must consider both internal and external factors and potential economic shocks to be able to deal with poverty, inequalities, conflicts, healthcare, and food insecurity among other highly problematic issues (FAO 2011:25).

3.6.2.1 How LED was a shift of paradigm

Development is never static in theory and practice. Notably for LED, the definitions, approaches and generations (see 3.4.2 & 3.3.2) exemplify the changing perspectives and broadness of the LED strategy. Many authors, including Rogerson and Rogerson (2010), Rücker and Trah (2007) and WB (2003), have pointed out that the first generation LED paradigm focused on "place marketing and investment attraction". The development challenges of the 1980s led to a paradigm shift to a focus on endogenous potential, local business retention, support of competitiveness and MSMEs. This led to the current LED stage (the mid-1990s to date) where the focus is now on business incubation, start-ups and support for SMEs in ensuring an enabling environment for individual businesses and community development. Since the 1980s, therefore, a major shift was recorded due to the failure of traditional economics[104] to address development challenges[105] in the South. Thus, the main concerns of theorists and practitioners were how to find an economic model which would be more comprehensive and address the social and economic problems of the South. Thus, endogenous development theory and other locality-based theories took the driving seat in the Global South (Bahrija et al. 2016). The endogenous thinking aimed at developing self-reliance focusing on local development factors with less reliance on exogenous factors like foreign investment and technology. Hence, the development paradigm shifted: the initial pro-growth and pro-industry thinking was to be balanced with pro-poor and pro-community models, that is to say shaping a comprehensive, feasible and affordable development by and for locals. Development was thus to be locally, territorially, and regionally controlled; government control was to shift to municipal or district control and the decentralisation was becoming increasingly entrepreneurial to provide an enabling environment for local businesses, to address market failure, and support networking, economic growth and improved life for all (Rogerson & Rogerson 2010; Rücker & Trah 2007:15).

In the same way, Bentley and Pugalis (2014) argued that the main concern in changing direction was to wonder what works but also where? In this regard, they suggested that a multi-scalar approach could fit the development complexity of geography, capabilities, knowledge and resources of a particular place; in other words, taking into consideration the spatial, socio-cultural,

[104] Neoclassical economic school and its consequences in the south based on technology and capital accumulation
[105] Widening gaps between developed and developing world, inequalities in the south, extreme poverty due to failure of traditional trickle-down development approaches.

economic and institutional characteristics of an economic unit/locality. With this in mind, it is clear that LED is an informed multidimensional approach that is not uniform and top-down but is, instead, a local model made by locals that benefits locals (Rücker & Trah 2007). To put it differently, the LED approach was proposed to the developing world as a way of entering the globalised, market-based economy, and enhancing their regional and global scale competitiveness.

That said, in the prevailing economic context, the LED paradigm aims were twofold: meeting internal needs and self-reliance by focusing on how to maximise the local potential to address local challenges and ensure growth and better lives for all and interacting with the external environment in terms of how to transform the local potential into a competitive advantage and take advantage of or withstand the global influences. For those reasons, scholars confirmed a paradigm shift from "development-from-above" to "development-from-below" (Berhanu 2014; Rodriguez-Posé & Tijmstra 2009). Although not without challenge, the LED strategy seeks to answer these questions. Is LED development-from-below or from above? Is it feasible? LED raises critique, ferocious debate and controversy. The following section attempts a deeper analysis of this.

3.6.3 LED strategy as Development-from-Below and Endogenous Theory

As seen earlier, though the LED approach started in the 1960s–1970s in industrialised countries, its second and third generation was intended to address the pressing socioeconomic needs in those countries[106]. Notably, in the 1980s, the application of traditional economics using the trickle-down paradigm "from above" was regarded as inappropriate in the South, and the endogenous theory of the "from below school" largely replaced this in the South. The dependence on exogenous factors shifted to local potential and self-reliance (Bahrija et al. 2016; Rogerson & Rogerson 2010; WB 2003).

De Beer (2009), Rogerson and Rogerson (2010) and Rowe (2009) argued that many theories use the LED approach and the multiplicity of theoretical perspectives may lead to confusion between both theorists and practitioners. Nonetheless, Rücker and Trah (2007) argued that though multidisciplinary, LED was more appropriate than a "one-size-fits-all" approach as proposed by

[106] Rwanda and many African countries adopted the strategy in the 1990s–2000s

traditional economists. LED is an "inside-out" model capitalising on local potential rather than "outside-in" based on exogenous factors (ILO 2008).

3.6.3.1 LED as endogenous theory

According to Oduro-Ofori (2011), the endogenous theory is relevant to the study of LED. It was proposed to address the shortcomings of neoclassical economics which were based on diminishing returns, capital accumulation and technological and industrial development. LED, on the other hand, addresses the dissatisfaction with the "trickle-down" and "top-down" practices of traditional economics and relies rather on the bottom-up development paradigm through unleashing local potential (Berhanu 2014; LEDNA 2016) (see 3.6.3 above). The territorial dimension of LED brings therefore the uniqueness and appropriateness of a locality or region. To put it differently, locality means a geographic unit or an economic base that is specific and less complex than a national or regional system. Endogenous development means building regional/territorial autonomy by embracing their capacities, based on culture, resources, landscape and climate and nurturing genuine development (Berhanu 2014:28; Freitag, 2011; Chimhowu, Hulme & Munro, 2019; Junior et al. 2004). According to Bahrija et al (2016), the endogenous development theory focuses on "area", "human and cultural" and "natural resources" as a base for innovation, R&D and diffusion of knowledge and know-how. In addition, the characteristics of this theory were (1) "territory centrality" instead of national economic sectors; (2) maximising the profit returns for locals by using local material and human resources; and (3) local needs and capacities that promoted working partnerships (Bahrija et al. 2016; Thorbecke 2006). Already these characteristics of the endogenous theory inform the LED strategy on local centrality and self-reliance.

3.6.3.2 Applicability of other theories

According to Bahrija et al (2016) and Oduro-Ofori (2011), during the era of endogenous theory thinking (the 1980s–1990s), several related theories arose, namely the bottom-up community development theory (1986 by Keane and Cienneide) and the community-led rural development theory (by Murray and Dunn in 1995). This gave rise to "the new institutional economic theory" which rather very diverse and applies a wide range of theories that make assumptions on political science, sociology, law, economic growth and development, strategy and history. The institutional

economics supposes than different richness and wealth of the economies heavily depends on the quality of institutions[107] (Bektashi & Nuhiu 2015: 246-247; Obinska-Wajida 2015: 84, Peterson Institute for International Economics 2002). Likewise, the "game theory" was proposed where the playing field is a locality or district or municipality, while players reflect stakeholders' engagement in the development process (Oduro-Ofori 2011).

Referring to these macro-theories, can the so-called endogenous development theory really work alone in the era of globalisation? Can economic growth characteristics of the LED approach be fully answered by the endogenous model? These questions bring the researcher to an analysis of the second realm of the LED strategy belonging to the "school of development-from-above".

3.6.4 LED Strategy Openness to Development-from-Above and Classical-Orthodox Economics

Already in the 1990s, the endogenous approach encountered much resistance and its application became an issue since liberal economists and the Word Bank were promoting the orthodox economics founded on classical economics; i.e., while the WB promoted capitalistic orthodox economics, UNICEF opposed this and promoted the 'heterodox approach' founded on "adjustment with a human face" (Bahrija et al. 2016:241). In contrasting LED and orthodox economics promoted by the WB, Cunningham (2016) argued that while the classical-orthodox approach promoted by multilaterals was a macro-economic model and pro-market, it hindered the implementation of the LED strategy which was under LG control. Thus, this led to total confusion for actors in the economy who became spectators due to unclear mandates and unrealistic expectations[108]. The approaches were seen as antagonistic on both a theoretical and practical level, which led to confusion and marginal results in Latin America.

In the view of the researcher, the paradigm shift that took place when LED become a priority for the South cannot be seen as a total replacement of traditional classical economics. Orthodox and mainstream economics kept dominating and informed LED for the following reasons:

[107] Efficiency and effectiveness of the institutions
[108] Orthodox with government control, while the same central level is to fund local LED strategy under LG control, a compromise and a consequent unclear mandate.

- LED history shows that, apart from employment and a focus on depressed regions for economic revival, LED applied the growth poles approach among other economic growth theories which are typically neoclassical. LED is an economic growth practice that seeks to maximise benefits for local communities, which points to its neoclassical features.

- In terms of features, LED did not change significantly in the second and third generations. Industrial development was still a focus but the focus shifted to the individual firm (see 3.3.2.2) (Junior& Rylance 2005). This industrial approach and the critical need for technology and innovation occasioned trickle-down models in line with Rostov's modernisation theory.

- The endogenous theory did not cater fully for glocalisation benefits because of the overwhelming influence of globalisation. However, openness to globalisation is important to glocalisation given that LED provides opportunities to take advantage of the global market. This is made possible because of the endogenous approach that enhances both comparative advantage and competitiveness of a local economic base (Berhanu 2014, Cunningham 2016, Higgins& Savoie2017; Rogerson & Rogerson 2010;). However, LED is not a purely endogenous development theory because of this exposure to external factors.

- LED returns from technology transfer and pro-growth and pro-poor community approaches: FAO (2011) was of the view that technology transfer and pro-growth approach could bring better results in terms of employment and job creation than pro-poor approaches (thanks to a trickle-down approach and income redistribution). Technological changes in the agriculture sector (as per Rostov) will have an impact on economic growth and poverty reduction. Likewise, Byerlee, Jackson and Diao (2005) suggested that agriculture plays a central role as an engine for growth (pro-poor growth). However, agriculture pessimism is increasing and depresses food prices and increases in wages. Figure 21 summarises the paradigm.

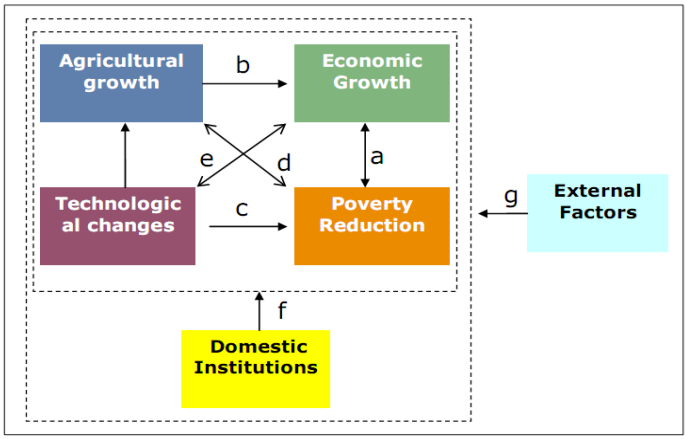

Figure 21: Agriculture and technology transformation-based growth

Source: (FAO 2011)

To illustrate, FAO (2011) and Kraay (2004) stated that the first realm of economic development-from-above contrasted with the second realm of the development-from-below approach. It was argued that the first realm seems more objective and effective in reducing poverty thanks to income redistribution because, according to Kraay (2004), poverty reduction is a function of growth in average incomes for households in the developing world (Kraay 2004). Given the above, though inclusion and local centrality are important elements of the LED approach, it is clear that classical economics seems dominant in the globalised economy. Consequently, the *"free market trickle-down growth"* development paradigm is criticised for excluding government control whereas it is an indispensable economic agent (FAO 2011 and Kuznets 1955).

- Alteration of genuine endogenous practices: According to FAO (2011: 12-13), the term 'pro-poor' can be interchangeably used as "broad-based"[109] or "balanced growth" and can include both small scale and large-scale activities including those funded by FDI as well as social protection, such as grants and direct support activities (FAO 2011:14). This shows the flexibility and openness of LED to globalisation in form of foreign investments. For example, UNCTAD (2013) argued that Africa remains a marginal player in global markets[110], and critically needs FDI to play a constructive role in narrowing the financing gap, enhancing job creation, and sustaining productivity and growth. However, both domestic investment attraction and better use of FDI remain imperative though it is reversely argued that FDI

[109] Small scale activities namely farming involving many producers as equitable income distribution
[110] Currently 3% of global FDI (UNACTAD in 2019)

inhibits domestic investment[111] (UNCTAD 2013; UNIDO 2011). Therefore, LED as a purely endogenous practice cannot succeed given the need for investments, technology and global markets. North (1990 cited in Row, 2009: 64) argued that LED theory encompasses endogenous theory, cumulative causation and demand-led models, and institutional economics and base on labour, productivity, technical knowledge and innovation (Row 2009).

These five reasons led the author to conclude that the endogenous theory and development-from-above cannot fully address the LED strategy given the prevailing neoliberal context and given the need for a paradigm shift and the endogenous potential of LED.

3.6.5 LED theory under regional economic perspectives

Bahrija et al. (2016) highlighted the four main regional theories, as follows:

- Neoclassical traditional models in which growth is the function (y) of labour and capital: y (L,K);
- Pure agglomeration models of industries (or growth poles of industrial clustering for cumulative causation, self-reinforcing and multiplication effects) "AE";
- Local milieu models[112] (which are endogenous growth models) "LM" representing the local endowments in form of space, human capital, technology, networks, culture, traditions and customs, politics, etc.; and
- Territorial innovation models "I" which implies innovation and competitive advantage among other assumptions (Bahrija et al. 2016; Viktor & Viktor 2013).

He asserted that the LED theory is based on a combination of both endogenous and external/exogenous factors. Table 7 summarises and contrasts regional theories.

[111] Mandisvika (2015) and Rodriguez (2001) support that LED must engage in foreign investments attraction
[112] AE: clustering of industries in agglomeration is made possible thanks to poles of attraction and multiplier effects advantages (FAO 2011)

Table 7: Comparison of regional economic theories

	Production function*	**Theories**
Traditional models	$Y = f(L, K)$	Neo-classic growth theory Keyne's approach: export theory base
Pure agglomeration models	$Y = f(AE, L, K)$	Cumulative causation theory Growth pole theories New economic geography theories
Local community models	$Y = f(LM, L, K)$	Endogenous growth theories theory Theories based on labor organizational changes
Territorial inovation models	$Y = f(I, LM, L, K)$	Incubator theories Products' life cycle theories Innovative environment theories Porter's national competitive advantage theory Ilery's induction regional development theory Storper's theory on regions as a chain of non-exchanged interdependence

Source: (Bahrija et al. 2016:234)

In contrasting the development paradigms of FAO (2011) and Bahrija et al. (2016), development-from-below or from above are distinctively clarified:

- The neoclassical and exogenous theories: the traditional model (Y = f (L,K)), the pure agglomeration models (Y= f (AE,L,K)) and territorial innovation (Y= f (I,LM,L,K)). These categories fall under the technology transfer and pro-poor growth models as presented earlier; and
- The local community model, the endogenous category (Y= f (LM, L, K)). It asserts that the so-called endogenous development paradigm is conceptually and theoretically different: from the classical viewpoint, endogenous development is made possible by exogenous factors[113], while for traditionalists, endogenous development is development-from-below, i.e y=f(LM, L,K) (Bahrija et al, 2016).

In both conclusions, the most appropriate development paradigms consider both exogenous and endogenous models in real terms. That is to say, development paradigms should consider the entire

[113] As per the past and prevailing context

LM in both economic (resources, and labour) and non-economic aspects (culture, institutions, etc.) (Bahrija et al. 2016).

3.6.6 Summary: Broader Framework of LED, a recipe for an LED Paradigm

It can be concluded therefore that in contrasting the development paradigms, LED could be represented as an exogenous-endogenous model. Therefore, a combination can be made of factors LM and L which represent local endowments and factors K, AE and I which represent private / FDI capital, new technology and industrial development; in other words, the classical model, or "development-from-above". The researcher appreciates the FAO (2011) and Bahrija et al. (2016) models (See Table 7), especially the territorial innovation model for its broadness and sensitivity to endogenous perspectives Y= f (I,LM,L,K). In so doing, it is more comprehensive than pure neoclassical model (Y= y (L.K)) and community model (Y=y(LM, L,K)). However, the researcher finds its imitations to accommodate the LED approach from two perspectives: (1) Unlike the LED model the paradigm shifts from only focusing on the production function (Y) but goes beyond to become growth and wellbeing (YWB). The K, I and AE are essential for LED and are mutually reinforced. Therefore, they contribute to both growth (Y) and wellbeing of the citizens in the locality (WB) in the form of employment and incomes generation. With the above, the researcher proposes a new and comprehensive LED formula as follow:

YWB = f (LM, L, K, AE, I)

An example of the applicability of this formula will be the case study of LCF which is an LED practice that will be presented in a later section.

That said, in its theoretical complexity, it is clear that LED is a new paradigm taking into account local needs, prevailing paradigms and globalisation forces, leading to a hybridised theory. The question on the extent to which LED can take advantage of globalisation while a free-market approach takes advantage of the local economy for resources and labour (Figure 22). Bahrija et al. (2016) and FAO (2011) concluded that a good LED theory looks for a combination of the endogenous-exogenous models which is advocated as the most appropriate concept for developing countries. LED can no longer be scoped as a narrow local effort, but rather links it to both the

regional and global economic landscape[114] (Monakhisi 2008). To this end, the researcher confirms the paradigm shift, the hybrid characteristic of economic objectives, and horizontal and vertical roles, partially admitting Keynesian postulates on the role of Government. That said, the researcher rejects the idea that LED should be a purely endogenous theory with a bottom-up approach rather than regenerative thinking catering for glocalisation benefits with a locally centred development paradigm. Based on the above theoretical debate (3.6.3 & 3.6.4), the researcher seeks to figure out how the LED model should be represented as a hybrid of (1) neoclassical western model which is from above and (2) endogenous model aspiring to the LM principles which are from below. In this regards, the LED approach necessarily underpin both realms on classical economics trickle-down model and endogenous development-from-below (hybridisation). To put it another way, LED looks both and cater for production and economic growth (Y) and wellbeing (WB); it exhibits/accommodates both orthodox and heterodox economics. It is a classical economics model taking into consideration the participatory and people-centred development principles (YWB). The research summarises the above debate on the broader framework of the LED approach in Figure 22. Further, he also exhibits the contrast, interaction and complementarity between the western model and endogenous model on development needs and paradigms whereby LED recipe encompasses both models as the new and alternative paradigm instead of mere trickle-down and development-from-above (classical economics) that failed in the developing world (see LED formula operationalized in 6.3.6).

[114] Market perspectives

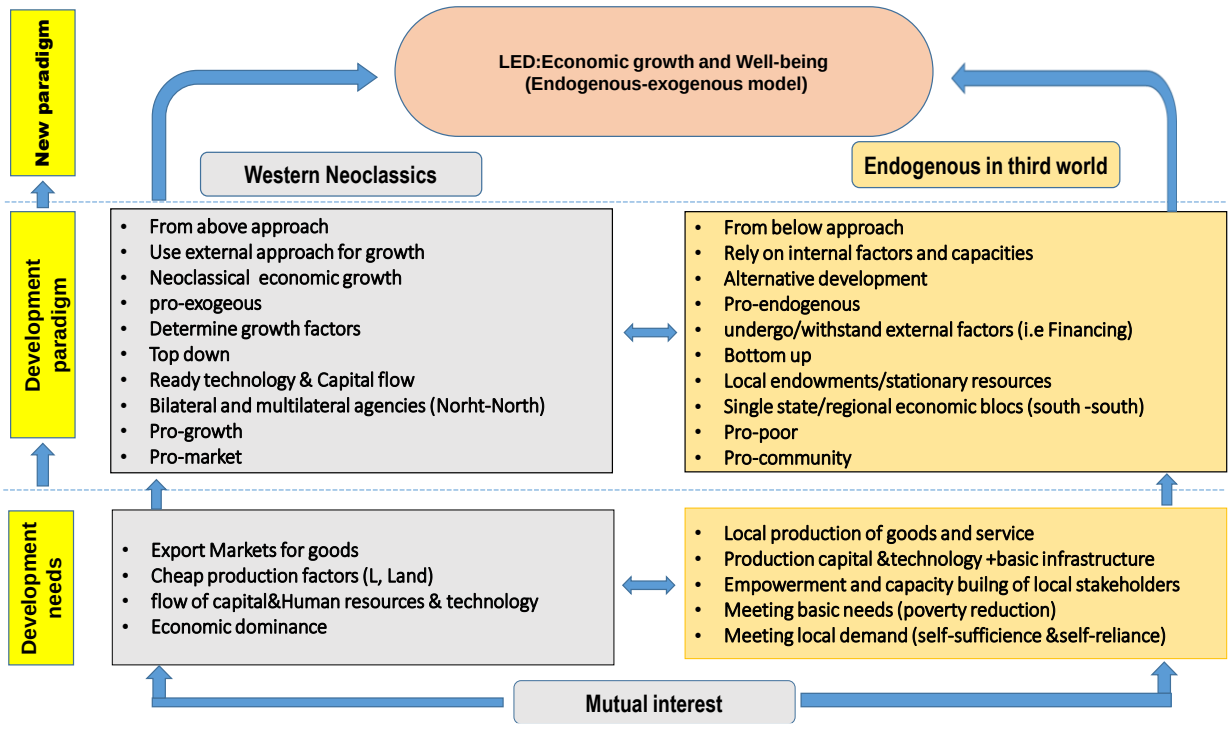

Figure 22: Broader framework of LED.

Source: (Researcher's own)

3.5.6 Empirical studies on local economic development in different countries

3.5.6.1 The rationale for LED in Africa

Referring to the interesting information in the work of FAO (2018) on the LED rationale for Africa, it is suggested that low income and food deficits are much more prevalent on the African continent than in the global north (69%), followed by Asia (20%), and Oceania (6%). According to the CLGF platform on LED in Africa (2015), African countries are urbanised at the rate of about 40% with high inequalities in communities characterised by inefficient basic infrastructures. The report stated that among 47 least developed countries (LDCs), 33 are in Africa and 18 of those are located in SSA. Furthermore, it is asserted that while Africa represents 15% of the world population, it has only contributed 4% to 6% to the global economy (UN 2018a; Yata 2015). As said above, globalisation involves a fast movement of capital and goods. According to Rodriguez-Posé& Tijmstra (2009) and Yata (2015), between 1970 and 2006, cross-border trade capital increased

considerably and shifted from 27% to 55% in terms of capital and 0.5% to 3% for goods respectively. However, against this universal trend in that period, from 70% to 80% of inflow capital into Africa comprised foreign aid. In addition, Africa (33 LDCs) records the lowest share of world trade and FDI which stand only at 2% and 3% respectively (Rodriguez et al. 2009; Yata 2015). In contrast to Africa, UNCTAD (2019) reports that up to 2018, global FDI was estimated at 55% with the domination of Asia and Oceania (13 LDCs) that have a global share of 40% FDI (UNCTAD 2019). It is important to mention another issue for Africa that makes it more dependent and that Calls for reliance on the LED approach, namely, the movement of people in the form of out-migration which is prevalent at both international and regional levels (national level). It was estimated that 15% of tertiary-educated people migrated from the SSA region which, and this causes a drain of human intellectual capital and skills which are sorely needed for LED, while internal rural-urban migration leads to overcrowding of the urban labour markets. LED could adequately solve these issues by creating jobs and investing in basic infrastructure for people to remain and enjoy working in their places of origin (Rodriguez-Posé& Tijmstra 2009).

The African Union Economic Commission (CUA) and OECD (2018) produced the first report on development dynamics focusing on growth, jobs and inequalities in Africa. The report shows many challenges that imperatively call for the LED approach: the AU estimates that poor quality jobs (vulnerable employment) will persist at 66% in 2022 against the expectations of 41% that was projected in 2023 which exposes 282 million Africans to vulnerable and indecent jobs, extreme poverty (35% in 2013) and the highest inequalities in the world (41% Gini coefficient). The CUA argued that economic growth remains volatile and behind worldwide trends (OECD 2018); for example, the export of raw products with no value addition (51%) against the importation of finished products (63%) and 12% of semi-finished products (OECD 2018). A few brief case studies of LED in Africa are provided below.

3.5.6.2 Kenya

According to LEDNA (2016), Kenya has had a LED framework for many years in their Constitution and started their LED initiative with cash crops (tea, tobacco, sisal, coffee) in the 1980s. The addition of social security in the 1990s made the strategy sounder. Given various development challenges namely financial dependence, employment and low incomes, LED was incorporated into the Constitution of 2010 and the Kenya Vision 2030, encouraging the bottom-

up model. Like Rwanda, Kenya devolved units rely heavily on central funding of up to 90% of the budget. The key LED-related challenges are a skills gap, weak governance mechanisms, limited exploitation of local resources and bureaucracy among other challenges, that lead to limited incomes, lack of employment and financial dependence. The LED priority agenda focuses on employment creation programmes, export promotion and skills development (LEDNA 2016).

3.5.6.3 South Africa

South Africa is considered an LED laboratory. Myer (2014) analysed the challenges and solution of LED in the Northern Free State of South Africa. Adopting the LED approach was expected to bring about several outcomes namely job creation, poverty reduction, enhancement of local comparative advantage and competitiveness on a global scale among other benefits. Myer stated that the role that municipalities played in providing an enabling environment, responsive strategies and coordination was inadequate. To him, success factors were still missing: local leadership and local champions, a balanced strategy, and pro-growth and pro-poor initiatives. The national policy implementation at the local level was still an issue. The identified issues were:

- Strategic approach: the issue of proper LED integration into national planning, lack of strategic support approach for MSMEs;
- Poverty alleviation: the LED approach was downgraded and became a pro-poor approach focus instead of being balanced on pro-growth as well. Human resources and funding were still an issue;
- Local businesses were not included in planning;
- Lack of regional cooperation namely local municipality and district municipality;
- Limited sustainability of LED interventions;
- Limited common understanding, political consideration and prioritisation by all local actors;
- Limited human resources with management skills; and
- Poor institutionalisation of the LED strategy in a specialised department.

He argued that there was neither an adequate LED strategy nor proper implementation which led to marginal expected outcomes (Cohen 2010; Meyer 2014).

3.5.6.4 Zimbabwe

LEDNA (2016) pointed out the issue of LED policy and project implementation, knowledge management and symmetry, taxation of local SMEs and corruption impeded SMEs development. In agreement, Mandisvika (2015) in her empirical study of LED in Harare, stated that LED was known by several stakeholders and had played a central role in poverty alleviation through SME development. However, there was an issue of policy and LED policy was downgraded to pro-poor initiatives although basic infrastructure revival will progressively increase the pro-growth feature in Zimbabwe.

3.5.6.5 Rwanda

Rwanda is a poor country with 38.2% and 16% of people living in poverty and extreme poverty. The economy is dominated by the informal sector (93%), and this shows the need for the LED approach. The LED trajectory since the implementation of the decentralisation policy in 2000 has been mentioned in Chapter 2 of this work. The first LED strategy (2013-2018) came out in 2012 and LED become effective towards the end of 2017 when, for the first time, all Rwandan districts formulated their LED strategies for 2017–2024 to align with the LED strategy and NST1. This was a milestone in the LED trajectory in Rwanda[115]. During LED strategy formulation, LODA as the national LED strategy custodian trained all districts on how to develop their own LED strategy. Thus, all recommended stages were followed[116] and all stakeholders were engaged in the formulation of the strategy[117]. In addition, LED mainly relied on local resources for development but drew down from the central-level budget (over 80%) to fund activities due to limited resources. District LED strategies were aligned with national policies and strategy, namely the NST1: 2018–2024, and there was regional cooperation on market opportunities for local produce or value addition to local products (especially abundant agricultural production). This regional cooperation was intended to use efficient spatial planning and synergy in economic activities; for instance, one market infrastructure, namely, a slaughterhouse could serve two or more districts (Gakenke, Rulindo and Musanze districts); and attract investment in tourism among other sectors. However,

[115] LEDNA (2016) when assessing the state of LED in Rwanda (in 2016) argued that it would be difficult for districts to elaborate and implement the LED strategy. To them, it was too early because there was no departure point.
[116] The researcher was a national facilitator for LED strategy development in districts (municipalities) in Rwanda
[117] Stakeholders comprised Districts (authorities and key staff), Local and International NGOs, Private sector federations (district committee), representatives of communities (Opinion leaders), religious leaders and representatives of the youth council, women's council and people living with disabilities.

the financial dependence on central government (80%), limited capacity to mobilise resources, and poor sector coordination at the national level does not allow proper execution and alignment of national and local strategies. That is to say that in the fourth year of implementation, it is difficult to track the progress of implementation, changes which occurred and adaptation measures[118]. The challenges of the mastery of the LED concept, proper planning and implementation and limited infrastructure are prevalent (LEDNA 2016 and GoR, MINALOC 2018). Table 8 provides a summary of the case studies.

Table 8: Summary of case study/empirical studies

Countries/ regions	**Policy objectives**			**Current issues**				
Source: EIB (2020), Korankye (2014), Bhattacharyya (2016), De Kok et al (2013) WB (2020), UNCTAD (2019). Berhanu (2014), Oduro-Ofori (2011),Mauer (2020), Dvouletý et al (2020),Cravo and Piza (2016), Parilla (2017), Tambunan (2019), Mandisvika (2015),Cravo and Piza (2016) Aya & Kengo 2017, Rogerson & Rogerson 2010, Yata (2015), OECD (2018), LEDNA (2016), Meyer (2014), GoR MINALOC (2018), GoR,MINECOFIN (2018)								
	Employment	Economic Growth	Poverty reduction/ inclusion	Financing/access to finance	Plan +policy design/ embeddedness	HR+Skills for LED	Basic infrastructure & Technology	Weak institution/ poor services/ enabling environment
US	*	*	*					
Europe	*	*	*					
Latin America	*	*	*					
Indonesia	*		*	*	*	*	*	*
Africa	*		*	*	*	*	*	*
South Africa	*		*	*	*	*	*	*
Zimbabwe	*		*	*	*	*	*	*
Rwanda	*		*	*	*	*	*	*
Tanzania	*		*	*	*	*	*	*
Ethiopia	*		*	*	*	*	*	*
Ghana	*		*	*	*	*	*	*
Uganda	*		*	*	*	*	*	*

Source: Synthesis by the researcher 2020

[118] The researcher worked with LODA and was part of the national technical team that coordinate the elaboration of districts' LED strategies.

3.6.7 LCF as LED Practice and Growth Centre Approach

Given the complexity of the LED theory, among many applicable theories, the researcher chose the growth poles theory as a framework for the research. As seen in the discussion on the LED generations, the growth poles theory is one of the core theoretical approaches used in an LED strategy, notably on its focus on employment, industry agglomeration and depressed regions, and the economic revival which applies to the LCF under study.

According to Plummer &Taylor (2001) and Higgins &Savoie (2017), Growth or development poles theory is credited to the French economist, François Perroux (1950). It states that regional development is uneven and takes place around a pole or cluster. Economic space is made up of three types: (1) an economic plan (2) a field of dominant forces or influences as "propulsive units" for "polarisation" and (3) a homogeneous aggregate. Thus, he proposed the creation of propulsive units[119] around which economic agglomeration would have a multiplier effect thanks to downstream and upstream linkages of industries (growth centres). It consists of creating large economic units (concentration of firms and industries in site with new technology, information and knowledge) in the zone of influence, a phenomenon known as polarisation and trickling down .On top of that, Perroux had a kaleidoscopic view of economics; I believing that all interest groups and individuals, economic exchanges and societal organizations were to be part of the economic strategy (Higgins&Savoie 2017: 35-37). These policies are the current practices aimed at creating a self-sustaining economy. These are found in Kenya, Tanzania and Nigeria where the strategy has significantly contributed to the growth of those countries. Growth poles are in form of Special Economic Zones (SEZs), technology parks, free zones and export processing zones (Gaile, 1978; Popa & Belu 2009; Viktor & Viktor 2013; WB 2013).

119 "A propulsive industry is a set of firms, producing substitutable goods or services, which significantly influences urban economic growth and change" (Kahnert, 1980:abstract)

Figure 23 illustrates the nature of the growth poles.

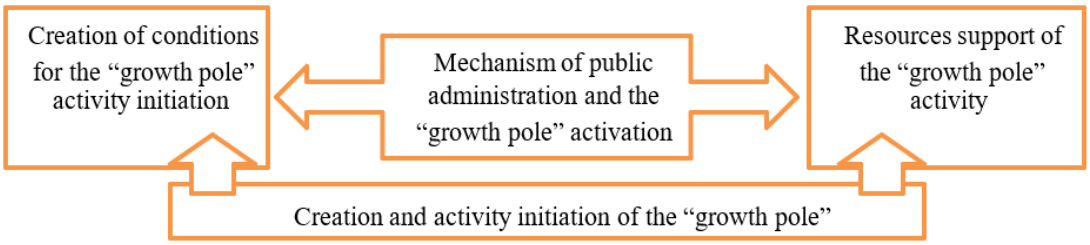

Figure 23: Nature of growth-pole life strategy stages

Source: (Komarovskiy & Bondaruk 2013:40)

3.6.7.1 The LCF as a growth-pole practice

The LCF model includes growth poles in the sense that it is founded on propulsive units or lead industries hereafter called "applicants" in LCF jargon and propelled areas or small /weak industries hereafter called "partners" and both need to work on partnership projects over a value chain. Though all companies are local, the applicant is supposed to lead its partners and transfer trickle-down effects in technology and best management practices. On this aspect, LCF is an endogenous practice (built on local endowment opportunities by locals and for locals). The project was selective for the depressed regions (the four poorest districts of Gakenke, Nyagatare, Rutsiro and Gisagara). Companies have been financially and technically supported by grant and technical training while the central and local level administration managed the project. From this perspective, LCF looks like a growth-pole theory. The supported agglomeration of industries was expected to create a multiplier effect. Both the applicant and partner (s) are to create an upward and backward impact in terms of LED impact. LED impact and LCF configuration look similar to the growth-pole structure proposed by Rodrigue (2020) found as portrayed in Figure 24.

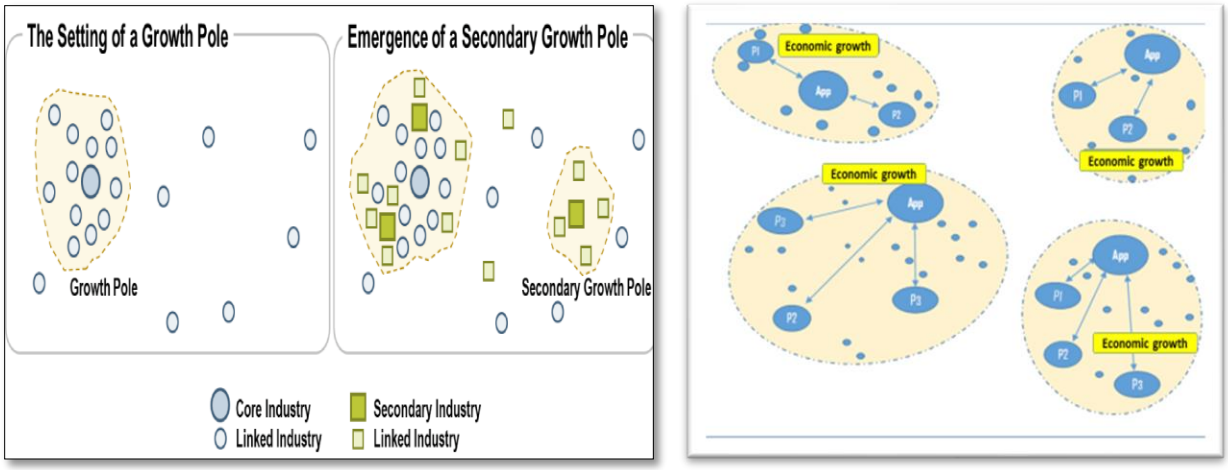

Figure 24: Comparison of LCF configuration to Rodriguez growth poles

Source: (adapted By Researcher from Rodrigue 2020)

It is important, however, to mention that the growth poles theory does not suffice to encompass a LED-based practice given its theoretical and practical complexity. Since the 1980s, the LED strategy has focused on the endogenous perspectives of an economy for glocalisation benefits. In addition, the development poles theory focuses on urban areas which does not necessarily apply to LED, and LCF in particular, which is more focused on rural, non-urban development. Additionally, growth poles are measured by hard metrics with deductive reasoning like other traditional neoclassical economics, which is not the case for LED, which also considers qualitative factors.

The LCF design encompasses industrial development, technical assistance as well as partnership. In addition, LCF includes MSMEs which is not the case for the Perrouxian model and thus aims at both promoting economic growth, poverty reduction and inclusion in depressed areas. In other words, LCF looks like a hybrid approach (see 3.6.6). It must therefore be measured using inductive reasoning and a mixed approach to evaluate growth and improvements in social welfare. This understanding informs the methodology and empirical work undertaken in this study.

3.6.8 Criticism and empirical challenges with research theories

Many authors, including Cunningham (2016), Jomo and Reinert (2005), Rogerson and Rogerson (2010), and Rowe (2009), argue that it is difficult to link the complex theory of LED with practice. Therefore, basing on the authors' perspectives on LED theory, the researcher assumes that LED

theoretical analysis and practice (strategy implementation) hinges on the challenges that can be summarised as follows:

1. Lack of a coherent theoretical body complicates understanding and implementation;
2. LED is in many cases (especially in developing countries) downgraded to a pro-poor approach;
3. Practice is confused by the choice of objectives between pro-growth and pro-poor since both seem difficult to measure (macro-economic vs. microeconomics; government-controlled and LCF-controlled social and growth objectives; local working economy; and market vs. global market)
4. Many measurements of LED are still dominated by hard methods and very limited or no measurement reaches individuals and households. This embeds the researcher's topic choice and comprehensive and inclusive measurement to individuals' lives and households of employees. (See complexity of LED measurement 5.3.2.1).

3.6.9 Theoretical framework of the study

From the described theories, Figure 25 below reflects the proposed framework for this study.

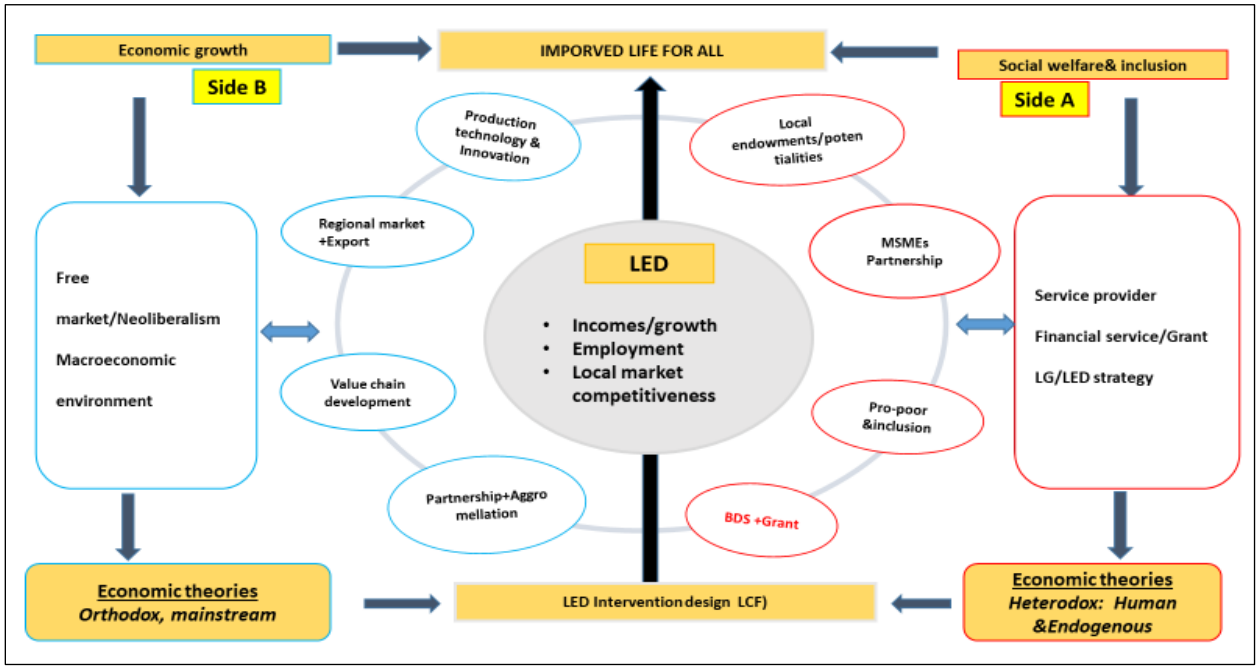

Figure 25: Research theoretical framework

Source: (Researcher's own 2020)

Given the complexity of the LED theory, the broader framework discussed above, LED "development-from-above" and "development-from-below" approaches, its neoclassical and endogenous features on one hand and also basin on the FAO 2011 paradigms on other hand, LCF theoretically looks a hybrid approach and ipso facto LED practice as it seeks to improve life for all citizens in the target districts by (1) Means of social and inclusion pursued by LED practice (which is catered for by Side A), and by industrial development and market competitiveness promotion with the value chains development (which stands for the side B on the framework as a neoclassical and market-based approach). From this theoretical perspective, it is clear to the research that LCF uses both neoliberal and orthodox approaches to economic growth. See also LED formula in section 3.6.5 and its testing on the research findings in section 6.3.6).

3.7 CHAPTER SUMMARY

It can be concluded that the LED strategy is a complex approach given its hybrid characteristics: its aim is twofold: social welfare and inclusion and economic growth. The wide scope of LED encompasses but is not limited to job creation, inclusive business development, investment promotion, poverty alleviation, and economic growth, requiring a hybrid approach to measurement using both social (soft) and economic (hard) metrics. LED is now in its third generation with a paradigm shift towards locality-centred development approaches. Theoretically, although LED encompasses several perspectives, it has its roots in endogenous and alternative development theories for inclusion on the one hand, and poverty reduction on the other hand. It is also rooted in neoclassical, modernisation and classical economic theories that diverge from orthodox mainstream economics. LCF was theoretically and practically assessed as an LED practice, particularly the growth-pole approach given its inclusive nature, and its focus on job creation and business development with the aim of poverty alleviation and economic growth in the targeted districts. Therefore, this chapter serves as the foundation for the research methodology and findings.

CHAPTER 4: LOCAL COMPETITIVENESS FACILITY (LCF)

4.1 INTRODUCTION AND BACKGROUND TO LCF

Though LCF has been introduced in the previous chapters, this chapter aims to describe the LCF programme, its main features, governance and its implementation which is the core focus of the present research.

4.1.1 Origins of LCF

LCF is an initiative arising from the Rwandan decentralisation policy in its objective of ensuring political, economic, social, managerial/administrative and technical empowerment of local populations to fight poverty by participating in planning and management of their development process (GoR 2001). LCF is part of the Rwanda Decentralisation Support Programme (RDSP 2015-2019), which is an Enabel-funded programme based at the Ministry of Local Government (MINALOC) and implemented by the LODA. The RDSP programme has the overall objective of "sustainably enhancing the capacity of local governments to deliver services and to support an enabling environment for LED" through (1) LG capacity development; (2) supporting LED-relevant infrastructure; and (3) the creation of innovative economic partnerships through an LCF programme in eight pilot districts (GoR, MINALOC & BTC 2015: 7-8).

The LCF model is a matched grant fund originating in South Africa. It has been adopted by the Government of Rwanda and piloted since 2016 to be an instrument to enhance LED in the target districts. The main principles of LCF are to support market-led development, by providing a percentage of the costs, on a competitive basis, to business partnership groups. This is to ensure the creation of sustainable employment and facilitate access to private co-funding contributions for part of the implementation costs of the project. Since its launch in 2016, LCF was implemented in four pilot districts (3 Rural: Gakenke, Rutsiro, Gisagara) and one urban (Nyagatare) which is one of the secondary cities of Kigali, and it is expected to be progressively rolled out in other districts of Rwanda. It is important to note the choice of the districts was based on the poverty level of districts in an attempt to reduce its severity. The EICV 4 showed that the four selected districts have a high incidence of poverty ranging between 42% and 53.3% with extreme poverty ranging between 16.2 to 23.6% (NISR 2015). It has been shown that LED and the growth poles

approach seek to addresses poverty and inequalities in specific localities. Figure 26 is the Rwanda map showing the pilot district location.

Figure 26. Research theoretical framework

Source: (Researcher's own, 2020)

4.1.2 LCF Aim and Objectives

LCF is a funding mechanism put in place to support inclusive businesses development to ensure the success of the LED initiative at the local level. The funded business partnerships are expected to (1) create extra jobs in the district especially for pro-poor social categories (Cat 1 & 2 of *Ubudehe*); (2) increase wage incomes for existing jobs; and (3) create extra income for districts in terms of local taxes and local sourcing of inputs. In this regard, LCF spearheads LED results and includes a number of its approaches, namely, cluster development, skills development, private sector development, value chain development, and transformation of the informal sector, among others (LODA & Enabel 2018: 6).

To this end, the four objectives namely supporting business partnerships, LED impact, innovative business ideas as well as pro-poor impact (see 1.3.2)

4.1.3 LCF description

As seen above, LCF seeks to create jobs through business partnerships for value chains at the local level. Referring to the LCF project operational manual (2016), LCF theory of change [120]has been constructed based on perceived barriers to local business development which hamper LED, show the inputs/activities (or correctional measures), and then show the expected multilevel results of the programme. LCF is a multilevel objective programme designed to eliminate barriers to business development in Rwanda, such as limited access to finance (capital), business and entrepreneurship skills and costs of doing business, among other things. In this regard, LCF solutions include three components which are (1) grant provision; (2) capacity-building in the form of formal training, coaching and study tours; and (3) business partnerships for value chains. A combination of the three components is expected to lead to the stated LED objectives. The main expected changes (to be measured further in the research) are at different levels namely

- Company level: increase productivity, business skills, employment as well as value addition;
- Employees: skills development and increases in income);
- Locality and district in the form of extra value (raw materials) and local taxes collection.

In the end, the business expansion and value chain development will create a spillover in each district and enhance its economic competitiveness as improving the welfare of the local people, this at applicant (propulsive units) and partner-businesses level (propelled areas made of weak and informal businesses) according to the growth poles theory. In so doing, LCF is an outcome of the LED strategy. The LCF design and its link to theory will be detailed later.

[120] This LCF design

Figure 27 summarises the LCF programme design.

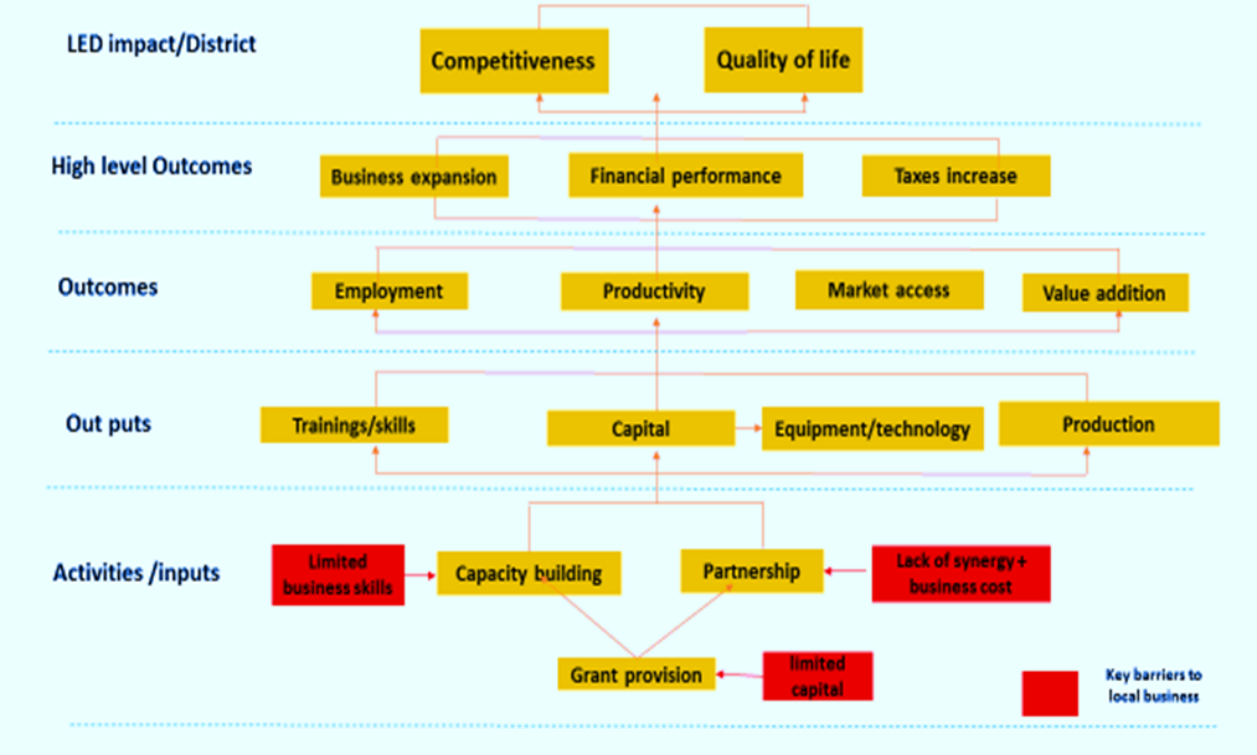

Figure 27: Summary of LCF design and impact logic construct

Source: (Researcher's own, 2020 based on the LCF operational manual /BTC &GoR, LODA 2016)

4.2 LCF DESIGN

In line with the above programme objectives and theory of change, this section first describes the LCF funding windows and eligibility criteria, call for proposals and the governance of LCF.

4.2.1 Funding Windows

LCF as an inclusive approach is designed with two funding Windows (W2) for formal and advanced companies and Window 1 generally for Small and informal companies. Table 9 summarises the funding Windows and conditions of LCF.

Table 9: Summary of LCF design and impact logic construct

Financing Window (W)	Eligible partnership	LCF funding amount (USD)	Own contribution on the requested amount
W1	**There are two possibilities:** • A medium or large company partners with micro, small companies or cooperatives. The *applicant company* should be a formal company, and the other companies should be informal. • NGO (Applicant) partners with at least two informal micro, small companies or cooperatives	From $5 000 to $10.000	10% (In cash or kind)
W2	**Two possibilities:** • Micro companies and /or small companies and /or cooperatives establish a partnership together • Large/medium companies partner with small or micro-enterprises/cooperatives Note: TVET can also participate as a partner with other two companies including the applicant	Between < $10 000 to $40 000	30% (In cash or kind)

Source: (adapted from LCF operational manual /BTC & GoR, LODA 2016)

4.2.2 Eligibility Criteria and Priority Economic Sectors

To ensure the attainment of the fixed objectives, the rigorous eligibility criteria of LCF are assessed for every project at both stages: namely, expression of interest and full proposal. Projects must come from the following five priority sectors: agri-business, handcraft, tourism, ICT and distribution and services (in partnership with these four sectors) (LODA & Enabel 2018). The selected sectors are considered to have the most potential to speed up LED in the target districts and Rwanda in general as per economic policy priorities. According to NST1, a priority for industrialisation is the export of high-value goods to reach an annual growth of 17%. Those priority value chains are agro-processing, construction materials, light manufacturing, meat and dairy, leather, textiles and garments, horticulture, tourism (including MICE tourism), knowledge-based services, logistics and transport (GoR 2009, 2017). Conversely, primary production is not funded. This also originates from the structural transformation of the Rwandan economy as per NST1 projection 2017-2024: agriculture is to shift progressively to the industrial sector while the industry

and service sectors will progressively increase in size. The annual growth of 5.7%, 9.3% and 13.3% are expected for agriculture, industry and services respectively while the GDP composition of those sectors from 2017 to 2024 will decrease from 29.6% to 22.9% (agriculture), remain quite stable for services (47.7% to 48.3%) and considerably increase for the industrial sector from 16.5% to 21.8% thanks to the mechanisation of agriculture (GoR 2017). Table 10 summarises the LCF selection criteria.

Table 10: Selection criteria for LCF-funded projects

Selection criteria for expression of interest	Selection criteria for full proposal
• Administrative compliance (valid documents) • Eligibility of partnership • LED Impact of the proposed project • Potential for extra jobs creation, including for poor people (*Ubudehe* 1 and 2) and women, especially non-agricultural jobs • Potential for increased salaries for existing staff in companies involved in the project • Market access • Alignment with District LED Strategy and /or District Development Plan • Partners institutional capacity • Win-win objective for all partners involved • Participation and ownership of all partners involved • Own funding available as per requirements • Contribution to innovation • Focus of the project on value chain development	• Administrative compliance (valid documents) • Appropriate activity schedule • Project profitability of the companies involved in the partnership • Technical and organisational capacity of partnership members to implement the project • Financial viability of the project including cost-benefit ratio, profitability ratio, return on investment • Sustainability of the businesses • Quality of market analysis in terms of pricing strategy, competition and growth potential (only for window 2) • Adequate risk identification and measures for risk management (only for W2)

Source: (LODA & Enabel 2018)

4.2.3 Calls for Proposals under LCF programme

LCF programme proposes four steps for call proposals which also involves four evaluation stages: expression of interest; full proposal; due diligence; and approval by the investment committee. This subsection also shows the responsibilities of the stakeholders as the LCF adopts a participatory approach and requires co-management of LCF at different levels. In addition, it is important to note that at every stage of a call, the LCF operational manual provides evaluation

criteria for both legal compliance for the applicant and the beneficiaries. The quality of the proposal is evaluated in terms of its LED impact, partnerships, innovative ideas, value chain development, pro-poor aspects, and sustainability of the project among other things to increase transparency and reduce subjectivity in the selection process.

4.2.3.1 Expression of interest

Stage 1 is the expression of interest (a concept note submitted with applicants and partner companies' official documents) is evaluated by a district evaluation committee comprising district leaders, staff and private sector federation representatives in the district. The committee will assess which potential projects can spearhead the LED according to their priorities. This is in line with the LED objective of LCF but also with LED principles because involvement and ownership of the LGs are key to LED success (GoR, LODA & BTC 2016).

4.2.3.2 Full proposal stage

Projects that comply with the criteria go to the next stage of detailing the project ideas called the "full proposal stage". This stage is evaluated by external consultants who evaluate the alignment of the projects to the LCF objectives in terms of their relevance, feasibility and sustainability. Apart from administrative compliance, namely valid documents namely proof of existence, proof of own funding and partnership agreements, the evaluation is based on several aspects, namely, organisational capacity of the partnership to execute the project, an activity schedule, project profitability, financial viability of the project including a cost-benefit ratio, profitability ratio, and return on investment; suitability of the business; market analysis; and risk analysis (for W2) (GoR, LODA & ENABEL 2018b). The projects passed at this stage will go forward to the next level of evaluation of due diligence.

4.2.3.3 Due diligence

Due diligence is an important step to make before any grant allocations are made from government and donors' funds. Kundeliene and Sviesa (2015) indicated that business information transparency is key to gaining stakeholders' trust. Information transparency is assessed in terms of both financial and non-financial information through what is called "financial and social accounting". Furthermore, the financial information is assessed quantitatively and non-financial information is

assessed by observation on the ground (Kundeliene & Sviesa 2015) by visiting the premises and verifying the physical existence of the partnering organisations. It is a way of verifying the reality of the information based on a desktop review of the expression of interest and the full proposal (EoI & FP). The field visit checks on the applicant and its partners' physical existence, processes and business capacity, internal control, staff and legal structure, and own contributions in cash or kind, among other things. The activity involves the LCF secretariat, external consultants and district leaders who will determine whether the business is commercially viable to receive the grant or not (GoR, LODA & ENABEL 2018b).

4.2.3.4 Project approval by LCF Investment Committee

After screening the projects has been completed, they will be submitted to the LCF investment committee (IC) for final approval. LCF IC will base its decision-making on LCF secretariat information, consultants' and due diligence findings on the selected projects to finally approve the funding (LODA & Enabel 2018). Figure 28 summarises the steps for the call for proposals and responsible organs.

Figure 28: Steps for call for proposals

Source (Adapted from BTC & GoR, LODA 2018c)

It is important to note that the LCF operational manual helps to expedite the evaluation process so that worthwhile projects can be implemented. Penn (1693) said that "justice delayed is justice denied". To this end, the operational manual provides for a 221 day-calendar (almost 7 months) to complete the LCF Call. This period includes public awareness of Calls for proposals, evaluation and feedback until the contract is signed and the project is initiated (GoR, LODA & ENABEL 2018). One of the researcher's concerns is to assess how beneficiaries get timely justice in terms

of LCF operationalisation namely at the evaluation stage and timely funding after selection. Figure 29 summarises the steps for LCF Call and the respective number of days.

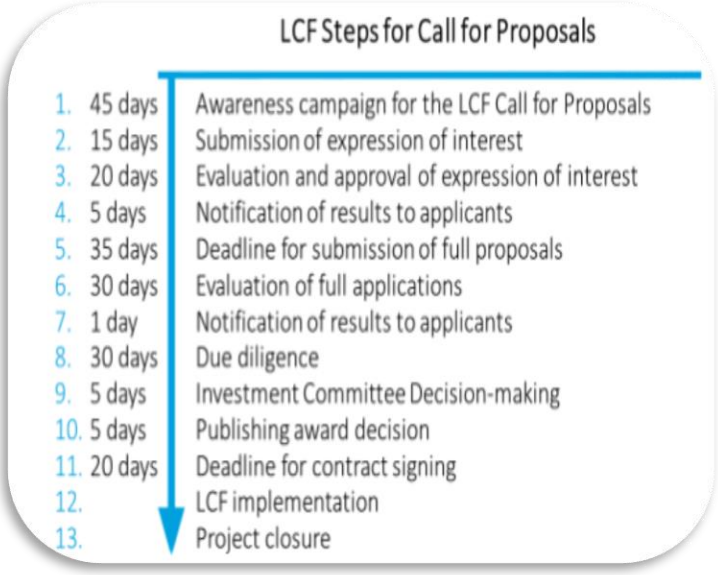

Figure 29: LCF steps for call for proposals

Source (GoR, LODA & BTC 2016)

4.2.3 LCF Capacity-Building Component

LCF as a pro-poor approach prioritises technical capacity transfer as one of the key inputs or change factors for the success of the programme. The LCF operation manual provides the following definition:

Capacity-building and skills development can be defined as the process of identifying skills gaps and capacity of acquiring skills, competencies through deliberate, systematic, and sustained effort to smoothly and adaptively carry out complex activities or job functions involving ideas (cognitive skills), things (technical skills), and /or people (interpersonal skills). Skills development is essential to address the opportunities and challenges to meet the new demands of changing local economies and new technologies in the context of LED (LODA & Enabel 2018: 84-85).

Both the LCF assessment of 2016, CD & LED strategy 2013-2018 evaluation as well as several policies and strategies pinpointed the capacity, business mindset and entrepreneurial skills as serious hindrance and barrier to business development in Rwanda (GoR 2018(c); LODA 2016;

LODA & Enabel 2018). LCF provides free training to the beneficiaries in both the application and implementation phases. During the application phase, beneficiaries who responded to the call for proposals during the awareness campaign receive technical support for making quality proposals for funding applications. Furthermore, during the implementation phase, capacity-building includes training and coaching provided by the LCF secretariat and external consultants covering 12 main topics such as procurement, financial management and taxation, and reporting. Other training includes strategic and business planning, human resource management, marketing, study tours for peer learning, process management, gender training, partnership and conflict management, and filing documents. In addition, NGOs and TVET partner with at least two companies/cooperatives or informal groups for their capacity-building. Finally, leading industries (propulsive industries or applicants) transfer skills and best practices to partner organisations to progressively improve their technical performance (LODA & Enabel 2018). This will be researched in the following chapters.

4.2.4 LCF Governance as a Decentralisation Model

LCF originates in the decentralisation policy of Rwanda where local stakeholders prioritise and participate in their own development as per decentralisation principles. In this line, LCF has six management structures comprising 55 members including central government, LGs, private sector and development partners and beneficiaries themselves to provide adequate oversight, transparency, and accountability during the evaluation stage, approval, and funds management. Those management structures are as follows:

- LCF IC is the highest structure. It provides for an objective evaluation of results and allocates LCF grants under different windows. It is made of 19 members of MINALOC and LODA, Enabel/Donor, PSF, target district representatives and RALGA.
- LCF Technical committee comprises 11 members from central government and district representatives, PSF, Workforce Development Agency/WDA, RALGA among others. It plays an advisory role to LODA and Enabel and seeks to ensure LCF objectives attainment. It assesses the progress reports and advises the IC on necessary modifications. In addition, the services to beneficiaries and day to day LCF management is entrusted to two secretariats:

- District secretariat (4 members) under Business Development and Employment Unit (BDEU) with the main mandate to report to LODA secretariat through monitoring evaluation information system (MEIS) and
- National/LODA Secretariat (6 members) to coordinate the districts' operations, compile reports and submit to Technical and IC, LODA and MINALOC.

  It is important to note that both secretariats manage LCF through MEIS. MEIS is accessible by district and central-level leaders and contains all information regarding LCF namely all Calls for proposals documents and applications, the evaluation process and results, decisions taken, financial information, reporting and report assessment among other things. Applications of beneficiaries and reports of beneficiaries (first level report, district reports/second level reports) are all managed through the MEIS. This is to ensure transparency, effectiveness, timeliness and efficiency in LCF management (LODA & Enabel 2018).

- The District Evaluation Committee has the responsibility to evaluate the expression of interest (first stage of application evaluation) this committee is made of the district leader, BDEU Staff, PSF and LODA LED adviser.
- The project committee at the level of the project: each project must have a project committee comprising all partnering businesses representatives being companies or cooperatives, BDEU staff and a LODA staff (playing the role of adviser). This committee is to meet every quarter to evaluate the progress of the project and take corrective measures if any challenges arise (LODA & Enabel 2018).

It is worth mentioning that the LCF implementation arrangements stipulate the contract agreements at four different levels from national to district and between beneficiary-partnering companies as per Figure 30 below.

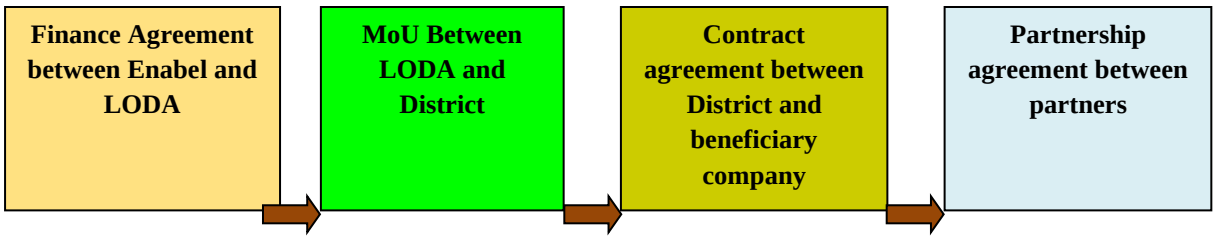

Figure 30: LCF implementation agreements between stakeholder

Source: (GoR, LODA & Enabel 2018: 65)

Similarly, the reporting arrangements in a reverse way are such that beneficiary projects report to the District secretariat, the District reports to the LODA-LCF secretariat (through the MEIS) and LODA reports to MINALOC/RDSP[121]. Figure 31 summarises the LCF governance from the national to the local level.

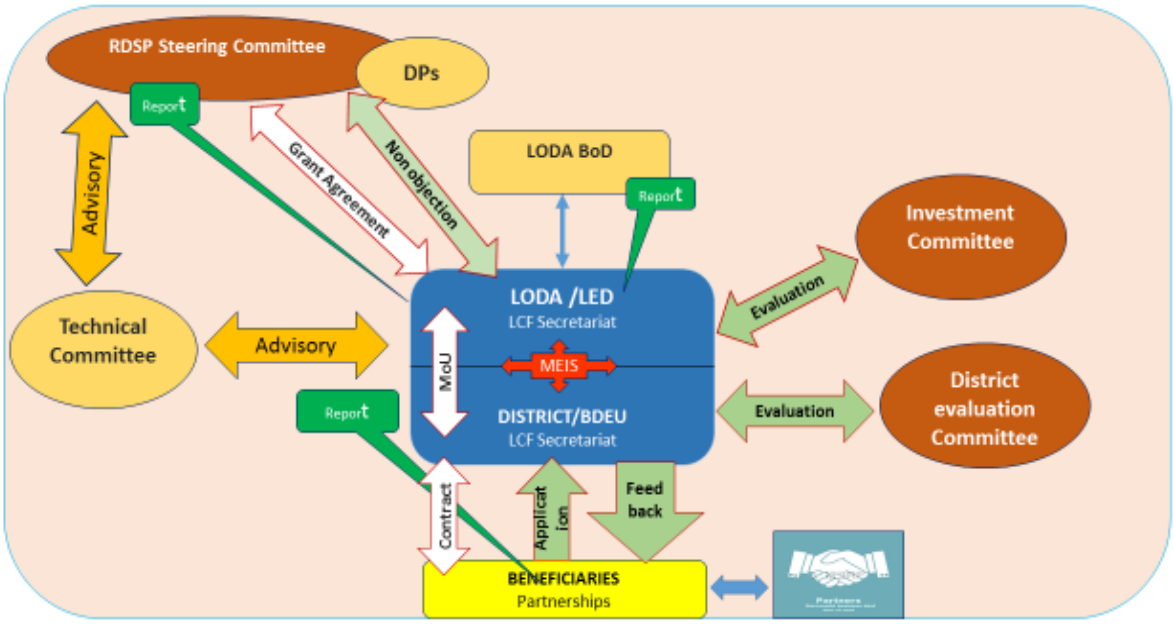

Figure 31: LCF governance structure

Source: (Researcher's own 2018)

4.3 LCF IMPLEMENTATION AND KEY ACHIEVEMENTS

This subsection seeks to evaluate the implementation of LCF since its launch in 2016 to the end of 2019 (after 3 years). The effectiveness of LCF implementation will be further assessed by the

[121] RDSP was made of Enabel/MINALOC staff at the MINALOC office in single projects implementation unit (SPIU)

researcher to determine programme execution compliance with the LCF design as well as the LED impact. The assessment here refers to the effectiveness of implementation which is purely quantitative at this level and not the programme impact measurement which is the subject of later chapters.

4.3.1 LCF Programme Execution

Between 2016 and 2019, the LCF programme put out two Calls for proposals: one in November 2016 and the second in March 2018. The two Calls were made in four pilot districts namely Rutsiro (Western Province), Gisagara (Southern Province), Gakenke (Northern Province) and Nyagatare (Eastern Province). The Calls drew 702 applications with 82 (11.6%) of them being approved. The approved funding for grants by IC was an amount of RWF1,8 billion (USD1,8 million) (LODA 2016, 2018). Table 11 shows the number of applications received and the approved projects for both Call 1 in 2016 and Call 2 in 2018.

Table 11 LCF received and approved proposals for funding

LCF Calls	Total expressions of interest	Total projects eligible for full proposal stage	Total projects submitted full application	Total projects eligible for due diligence	Total projects submitted to LCF IC
Call 1	497	143	132	55	37
Call 2	205	137	120	59	45
Total	**702**	**280**	**152**	**114**	**82**

Source: LODA/IC reports: April 2016 & Sept 2018

While we are concerned about LED and inclusiveness, both Calls included projects under W1 given the pro-poor characteristics of the LCF fund; e.g., in Call 2, out of 99 partnering projects, 22 were for W1 with 74 projects under W2. Of 82 projects, 77 with 193 partnering companies were funded.

4.3.2 Monitoring and Evaluation, Communication and Knowledge Management

According to UNDP (2009), to improve the chance of success, attention is needed to some common areas of weakness in programmes and projects

- good definition of programme and projects namely in planning and objectives formulation;

- stakeholder's involvement;
- proper communication for stakeholders for buy-in, mobilisation and clear roles and responsibilities; and
- quality monitoring and evaluation.

The planning, monitoring and evaluation are inseparable: Proper planning with articulated and intended results and a framework for monitoring are the basis of the evaluation of quality. While planning provides real-time information required by management, evaluation provides an in-depth assessment of data. Thus, the quality of M&E contributes to the success of a programme and helps improve people's lives and expand their choices (UNDP 2009).

Therefore, the intended results of LCF are based on quality planning, monitoring and evaluation. LCF M&E roles and responsibilities are shared among the key stakeholders including both central level (LODA and MINALOC) and local level (districts and stakeholders) as well as development partners. LCF M&E includes overall coordination, timely reporting, assessment of reports and approval as well as fund disbursement. At the local level, the District BDEU director is in charge of support to beneficiaries, quarterly reports and level 2 reports to LODA, while the District Executive Committee is in charge of finance and grant disbursement. At the national level, in the LODA-LCF Secretariat, the LCF fund manager is in charge of LCF coordination of district operations and reports to LODA, MINALOC and development partners (LODA & Enabel 2018). LCF M&E provides the knowledge and information which forms the basis of the secondary data for this thesis.

- Monitoring: According to the LCF operational manual, quarterly reports (both financial and narrative) are to be submitted by beneficiary projects to Districts (1st level report), and districts compile a report to LODA (2nd level report). Then, every six months, LODA reports to MINALOC and DPs (3rd level report). It is important that both 1st and 2nd level reports are uploaded and accessible to relevant stakeholders in the system (MEIS) to ensure transparency and effective monitoring (LODA & Enabel 2018).
- Evaluation and audit: According to the LCF manual and programme design, evaluation comprises a baseline assessment, mid-term evaluation, end-term evaluation as well as ex-post-evaluation. The programme design includes planned audits by the Government of Rwanda and

Enabel (LODA & Enabel 2018). Practically, the baseline assessment captures essential data on the context and situation of the beneficiaries in terms of organisational and financial management as well as technical capacity to inform the future actions of and provide indicators of the programme's results. In addition, for Call 1, quarterly reports (Q1 to Q3 reports as well as closing reports) were generated at different levels while for Call 2, Q1 to Q3 reports were generated. Apart from the local beneficiary reports, LODA reports to MINALOC and DPs are also available. It is important to note that a mid-term evaluation of LCF Call 1 was conducted in May 2018, followed by an end-term report for Call 1 in February 2019 while the ex-post-evaluation report was conducted in August-September 2019.

- Communication, awareness and knowledge management: During the design, communication and awareness were emphasised as critical success factors. Communication was to be both formal (through a website with a flow of reports in the M&E framework) and informal (unstructured, spontaneous, information e.g. "grape-vine", rumours and chats) to spread information about LCF to beneficiaries and the public. In addition, the LCF design included a feedback mechanism through timely reporting and receiving complaints and views of beneficiaries regarding the implementation process (GoR, LODA & ENABEL 2018).

Apart from understanding the programme design on M&E, all the information above constitutes a source of knowledge about the LCF programme which is secondary data essential for the researcher's research in addition to the literature review. The following section links the LCF programme to development theories.

3.3.3 Tentative Research on LCF Programme

The government and development partners interest in the LCF programme has grown since its launch in 2016. Apart from the knowledge generated from LCF implementation, two studies have been conducted in an attempt to improve the design of LCF. The first was a study commissioned by LODA and Enabel to explore the synergy between the LCF, FS and Asset Grant Transfers (AGT) which are components of social protection included in the Vision 2020 *Umurenge* Programme (VUP). The study was to inform LODA and its partners on the feasibility of leveraging synergies between LCF and the VUP FS and AGT components carried out March–May 2015. A second study on the "Establishment of a revolving investment fund in Rwanda based on the LCF" was carried out in June 2018. Both studies aimed at assessing whether LCF could be redesigned

to become a revolving fund without creating a market distortion. Another aim was to assess how LCF as an LED approach can help to take beneficiaries out of poverty to the next level of a business mindset and entrepreneurship (GoR, LODA & ENABEL 2018, 2019). The key findings of these studies are referred to in later chapters. It is important to note that based on these studies, LODA and its partners are designing an informed LCF Call 3. So far, the major changes in LCF design have occurred with the first rollout in the eight new districts where LCF became a hybrid fund of grants to pro-poor companies and a loan fund for established businesses as well as a new component for capacity-building (GoR, LODA 2019). The findings are referred to in later chapters.

4.4 LCF AS ALTERNATIVE DEVELOPMENT THEORY APPROACH

As stated earlier, the LCF programme was designed and proposed by the Government of Rwanda to serve as an LED tool (LODA & Enabel 2018). This section, therefore, seeks to theoretically demonstrate the similarities and features between the LCF programme and the theory of change from the alternative development theories. Those are namely capability approach theory, LED theory and the growth poles theory. This discussion thus will guide the researcher in shaping a comprehensive and informed theoretical and conceptual framework of the research.

4.4.1 LCF as capability approach model

As per the LCF programme theory of change, its unique model and philosophy are to combine the grant with capacity development and partnership for empowerment and synergy. Why capacity-building? As stated earlier, Sen (1999, 2000, cited in Kuhumba & Kuhumaba 2018: 129-132) was opposed to the traditional development approach measured by GDP and mere economic growth. He introduced an approach known as human development or "capability approach" instead. Therefore, to Sen, the characteristic of the capability approach is to focus on what people are effectively able to do and to be: their "capability and functioning". These basic capabilities refer to the freedom to do some of the basic things necessary for one's survival or to keep one out of poverty. Furthermore, functioning is an achievement that people manage or succeed to be or to do which lead to their wellbeing. Thus, functioning relates to physical or mental states (being) and activities (doing) that allow people to participate in the life of their society. Conversely, there is a connection between capability and wellbeing and being and doing make life valuable.

In the same way, the LCF programme looks at a capability approach model in the sense that it seeks to lift people out of poverty with its pro-poor characteristics (inclusiveness model working with micro, small and informal groups). More practically, the LCF grant covers the approved costs of purchases of equipment, maintenance of capital, goods (transport vehicles such as trucks), services, salaries of staff, training and consultancy services (LODA & Enabel 2018). These costs are intended to cover the gap of the beneficiaries in their functioning in the business which improves their "doing" (business activities) while providing technical capacity in different forms (formal training, coaching, peer learning altogether around 12 topics) typically addresses the transformation of people's mental state which positively affects the capability of the beneficiaries in the form of "being" and managing to "be and to do". The improvement of the functioning of beneficiaries improves their wellbeing which is the result of the LED approach, namely, to improve life for all. In later chapters of the research, LCF contribution will be evaluated to the capability of beneficiaries in different forms.

4.4.2 LCF-Supported-Industries as a Growth Poles Approach

The research intends to assess whether LCF in the pilot phase can be an instrument to accelerate LED in Rwanda. Thus, this subsection presents its design and tailors it to the growth poles model.

4.4.2.1 Why and how LCF is a growth-pole strategy?

- Firstly, on design: LCF supports the businesses partnerships on value chains in the four selected industrial sectors namely agro-processing, tourism, transport and services and ICT. LCF funding eligibility requires two types of partnering industries "The main applicant" which the lead industry and "partners" which are small industries (formal or informal). The lead industry must be formal and more advanced in technology and financial performance compared to the partners (GoR, LODA & Enabel 2018a).
- Secondly, the programme aims to enhance pro-poor LED through creating extra jobs in the target districts, increasing salaries for existing jobs, creating extra value in the district economy. In addition, LCF targets projects that create jobs for poor people under Cat 1 & 2 of *Ubudehe* and also expects redistribution of profit within companies (LODA & Enabel 2018a).

- Thirdly, selectiveness of geographic location: LCF has been piloted among the poorest districts of Rwanda namely Rutsiro and Gisagara (More than 50% of poverty and more than 20% of extreme poverty since EICV 3).

The research also found helpful information in the work of Simmons (2019) that states that the economic growth pole is characterised by a central key industry surrounded by linked industries developed through direct and indirect inputs. Arguably, the extension of the key industries implies multiplier effects namely expansion of outputs, related investments, jobs creation, new technologies and most importantly the creation of new industries. Furthermore, the growth poles impact in economic development is achieved thanks to a combination of change factors which are industries, natural resources and capital. Clustering, innovation, entrepreneurship and training are the catalysers of the growth-pole success. Simmons (2019) provides an example of Trinidad and Tobago, where the growth-pole strategy targets select industries in various economic sectors in consultation with the public, civil society and private stakeholders. In Figure 32 below, Simmons (2019) summarises the growth poles model and its expected impact.

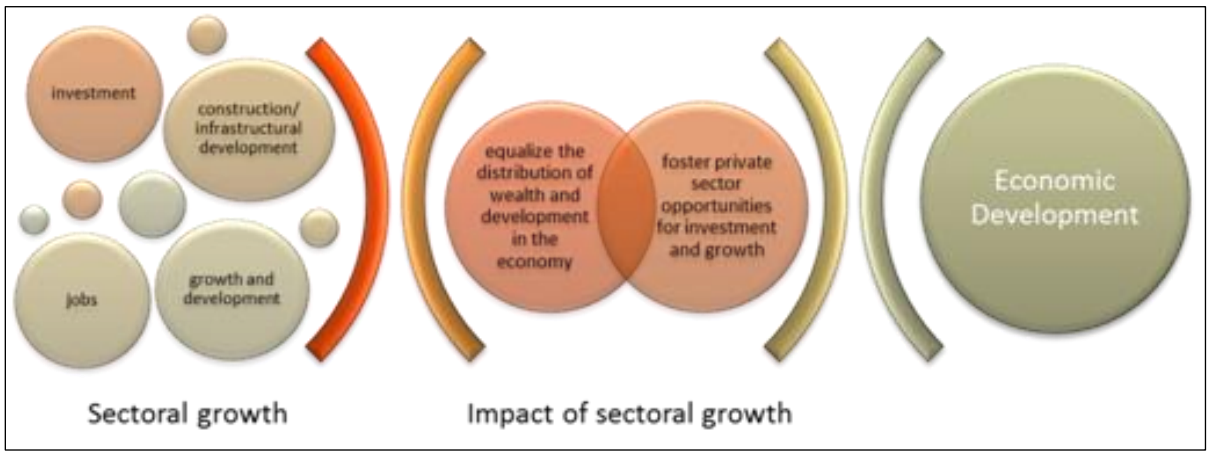

Figure 32: Expected impact of growth poles

Source: (Simmons 2019)

According to the growth poles theory, LCF is a typical model since it addresses economic development and job creation based on stimulating industrial development with the intention of alleviating poverty in underdeveloped regions, according to the Perrouxian model. The LCF philosophy is to maximise the inclusive growth potential of the selected districts based on the economic sectors with the most potential, namely, agro-processing, ICT, tourism, handcraft and

services and distribution. Similarly, LCF thinking is to enhance industrial partnerships over value chains. The main industry is expected to have a positive impact on its partners and spearhead innovations, technology and skills amongst its partner industries.

To this end, we confirm without any fear of contradiction that LCF creates growth poles and its implementation creates multiplier effects in the target districts namely increasing decent jobs and adding value to the district economy (GoR, LODA & Enabel 2018b). The researcher based his analysis on the following five reasons:

- Natural factors and geographic location/selectivity: LCF seeks to fund those projects using local resources in the value chain development plan. As far as selectivity is concerned, LCF has been piloted in four districts: three rural districts including the poorest districts (Gakenke, Rutsiro and Gisagara) to reduce the regional disparities and one urban district (secondary city of Nyagatare Nyagatare) which aligns with the core-Perroux principles that focus on urban industries.
- Physical factors: LCF assesses the suitability of the proposals checking whether they take advantage of other existing LED infrastructure namely access roads, water and electricity among others. Moreover, LCF increases private investments in funding for equipment in the form of a grant.
- Socioeconomic capital: LCF supports MSMEs as pro-poor and financial inclusion for potential synergy between formal and informal businesses to serve as propulsive units in the target region and create beneficial value chain links. LCF facilitates information access and market linkages up and downstream.
- The participatory principle: LCF is designed under the national decentralisation programme thus its responsibilities fall mainly to the beneficiary LGs entities (districts) – the Perroux model requires participation and proper administration which is referred to as *administrative capital* (See Figure 24 above).

In conclusion, the LCF programme design is a growth-pole approach since it seeks local inclusive development by sparking the propulsive units (connecting beneficiary local businesses). LCF is relevant to current Rwanda policy and economic aspirations, thus there is a crucial need for assessing the changes (multiplier effects) brought about by this pilot programme for further national rollout (see Chapter 6). Despite the benefits of the growth poles approach, the LCF model

is not identical. Rather, when tailored to LED perspectives, LCF shows a wider scope than the growth poles presented above because all LCF design construct elements are not necessarily the Perrouxian concerns. The below discussions shed more light on this.

4.4.3 LCF as an instrument of LED and mainstream of development theories

As stated earlier, LCF is an initiative in line with the decentralisation policy of Rwanda which has been proposed as an instrument to enhance LED through employment, business and value chain development. By targeting employment creation, the LCF contributes to the current national LED strategy and the National Strategy for Transformation (NST1 2017-2024), specifically under Economic Pillar 1, where the Government of Rwanda has made economic transformation a priority with the aim of creating jobs (214,000 per annum) (GoR 2018b). In the same way under the value chain development objective, LCF supports the core objective of the Rwandan LED strategy (2018-2024) to "Create a conducive environment to support an effective transformation of local economic potentialities into tangible interventions that address the socioeconomic needs of local communities". LCF supports local businesses development based on the local potential found in the target districts.

As discussed above, LED is a mainstream development approach. It seeks inclusivity (improved life for all); and it focuses on local capacity (natural resource, human, financial and skills). With its aim and its characteristics of inclusiveness, building local competitiveness and self-reliance, based on local potentialities, this means that the LED approach is a capability approach model. LCF thus seeks to build the local businesses capabilities through improving their functioning in "doing and being". In a wider sense, capacity-building encompasses skills, knowledge, tools, equipment and other resources needed for an individual and institutions to be "able to perform a function, do jobs, resolve its problems and achieve a great objective" (Potter & Brough 2004: 336).

Furthermore, it has been explained that LED is an alternative development approach incorporating several development theories namely modernisation, neoliberalism, post-development, and the capability approach among other theories. Thus, LED is not a theory but an alternative approach or a multi-theory approach with a wider scope to tackle poverty alleviation and spearhead socioeconomic growth. Thus:

- LCF has distinctive features of the capability approach through improving local capacity development and material support.
- LCF partially incorporates the modernisation theory and growth poles theory by focusing on industrial development as quick wins for socioeconomic transformation. In this regard, however, it differs from modernisation by protecting the environment and natural resources (both are early development theories from the 1960s and 1970s).
- LCF as an LED practices includes the neoliberalism theory in terms of democracy, decentralisation and participation because local ownership and stakeholders' involvement is among its core principles. It, however, is different from neoliberalism in that LCF focuses on local market competitiveness and self-reliance as per LED principles.
- LCF is contrary to the dependence theory in that it seeks to rely on and maximise the use of natural resources for local development. LCF, like the LED approach, seeks to create citizens' wealth starting with the use of local resources instead of exports and exchanges.
- LCF opposes the anti-development thinking by accommodating the modernisation approach. The anti-development theory depends on a 'one-size-fits-all' approach and western thinking.

4.5 CONCLUSION AND RATIONALE OF THE RESEARCH

To conclude, LCF design shows distinctive features of several development theories and specifically of LED as a mainstream and alternative development approach. Furthermore, it is clear that although the LCF industrial development approach touches on the Perrouxian model, it differs in terms of the capability approach perspectives and inclusiveness which are all captured in the LED approach.

Furthermore, given the multi-featured design of LCF and its expected impact in the target areas, it is important to explain the rationale for the present study which aims to evaluate whether LCF is an appropriate tool to bring quick wins to address poverty in Rwanda. namely:

- LCF is a new programme in Rwanda piloted in 2016 to date in 13.3% of Rwanda territory (4/30 districts of Rwanda). This provides a motive and interest to see whether the pilot phase will provide a solid basis for a national rollout.
- Despite the available tacit knowledge about LCF design and implementation, the M&E information is limited to the quantitative information mainly on programme effectiveness and

delivery. In this regard, a critical qualitative assessment on programme beneficiaries (direct and indirect see growth poles theory) is needed to assess LED results. The study will go beyond the project evaluation scope.

- The mid- and end-term evaluation of the LCF programme revealed an issue with the limited availability of secondary data which constitutes a gap in knowledge about LCF (GoR, LODA & Enabel 2019a).
- LED is a recent development in Rwanda (1st and 2nd generation of the LED strategy). LFC as an LED tool must be tailored to the new LED policy and strategy and its potential contribution to the national macro-economic framework needs to be determined. To this end, a detailed analysis of the LCF model and knowledge generated about LCF remains essential for a proper redesign, for effectiveness, better LED results and sustainability.
- Despite its reliance on the approach, Rwanda has limited LED resources apart from its policy documents; thus, the study will make a great contribution to the knowledge base on the LED approach in Rwanda, the rest of the African continent and the world.

The following chapter presents the research methodology used in the study.

CHAPTER 5: RESEARCH METHODOLOGY

5.1 INTRODUCTION

In the previous chapter, LCF programme design and implementation were explored in addition to the development theories which informed the LCF programme. In light of the preceding analysis, it is clear that LCF is a growth poles theory approach and, most importantly, an LED approach expected to become an instrument to alleviate poverty and regional inequalities in Rwanda. In that regard, the present research seeks to assess the role of the LCF in igniting LED in Rwanda.

The research methodology is informed and takes stock of the theoretical perspectives, analysis of the LCF programme as well as the prevailing social-economic background of Rwanda. According to Almalki (2016), apart from being the basis of knowledge, social research helps us to analyse, understand and find answers to social problems. The research methodology provides a systematic way to solve a problem where the researcher must describe, explain and evaluate a phenomenon. Accordingly, this chapter seeks to detail and justify the approaches used to carry out the research.

5.2 RESEARCH PARADIGM

The word 'paradigm' comes from Greek *paradeiknyai*[122] (to show side by side) is defined as "worldview" and it is a pattern or example of something. Hashil (2014: 1-2) saw science as pluralistic and a "collection of paradigms". One can say that paradigm is a set of basic beliefs about the nature of the world and the individual's place in it. It is, therefore, important for the researcher to take a position on the nature of reality and a view of the world which, nevertheless, must fall under the acceptable limits of legitimate research (Aliyu et al. 2015; Hashil 2014). In light of the above, therefore, the researcher wants to determine his philosophical paradigm for the research that guides the proposed research methods and findings. In the world of science, whatever research falls under philosophical underpinnings of three major paradigms which are positivism, interpretivism, and critical theory. In the following section, the study is positioned in terms of the four components of a research paradigm namely epistemology, methodology, and methods.

[122] https://www.macmillandictionaryblog.com/paradigm [Accessed 10 March 2020].

5.3.1 Research epistemology

While ontology is the "nature of the world and existence", epistemology is the "nature of knowledge and how it is acquired". Ontology and epistemology are to research what 'footings' are to a house (Hashil 2014:5-10). With regard to this research, the epistemological position is based on the fact that the research falls under social science and humanities.

- Epistemological positioning: It has been made clear that in the current research, reality is subjective. Conversely, the researcher can neither assume that knowledge is seen as hard, tangible and objective nor confirm that the world is independent of and unaffected by the researcher (positivism). On contrary, the nature of the research is that the researcher and the social world impact each other and knowledge is seen as personal, subjective and unique (Hashil 2014:2-10) To this end the present research ultimate epistemological position is "interpretivism" as opposed to positivism. Practically, this means that the researcher's perspective, professional career and experience might interfere with the interpretation of the findings. The researcher's academic and professional background is in development studies, more precisely in LED, which is well-aligned with the present research. More precisely, the researcher is actively involved in the LCF implementation process. In this line, the researcher cannot distance himself from the research process; rather, he constructs the meaning and interpretation based on his own perspectives and reflections on participants' views, experiences and beliefs. Furthermore, the research is based on empirical findings in the LED field, and thus uses the inductive approach (see also 1.6.1 & 5.3.2 & 6.4.7).

The epistemological position (interpretivism) will guide further research design and related methods.

5.3 RESEARCH DESIGN

5.3.1 Introduction to research design

Therefore, the research design serves to collect the evidence to answer the research objectives. It is a blueprint for data collection and data analysis (Akhtar 2016: 68-80) The present research is qualitative because it seeks to describe and systematically interpret the issues and phenomena from the point of view of the individuals and population (participants) who will be invited to participate

in the research process (Mohajan 2018:23-43). This being the case, the research is inductive, and findings are specific to the samples and the specific contexts and ipso facto are not generalisable[123]. Following is the scope of the research design.

Furthermore, the present research falls in applied science. According to Almalki (2016) and Akanle et al. (2017), while basic research is theoretical with a focus of investigating basic principles and reasons for the occurrence of a particular event or process or phenomenon, the "applied research" seeks to solve certain problems employing well-known and accepted theories and principles. They are practical and can be applied to the current activity in the short term. Thus, the present study falls under the "applied research category" due to its aim to assess, understand and bring practical solutions to a well-known social problem of poverty and regional inequality in Rwanda. The researcher wondered "how LCF programme can become an instrument for LED to alleviate poverty and inequalities". To be more precise and concise, the present research is Descriptive[124] and Exploratory[125]. The research design is summarised in the following figure.

Figure 33 summarises the research design in different steps.

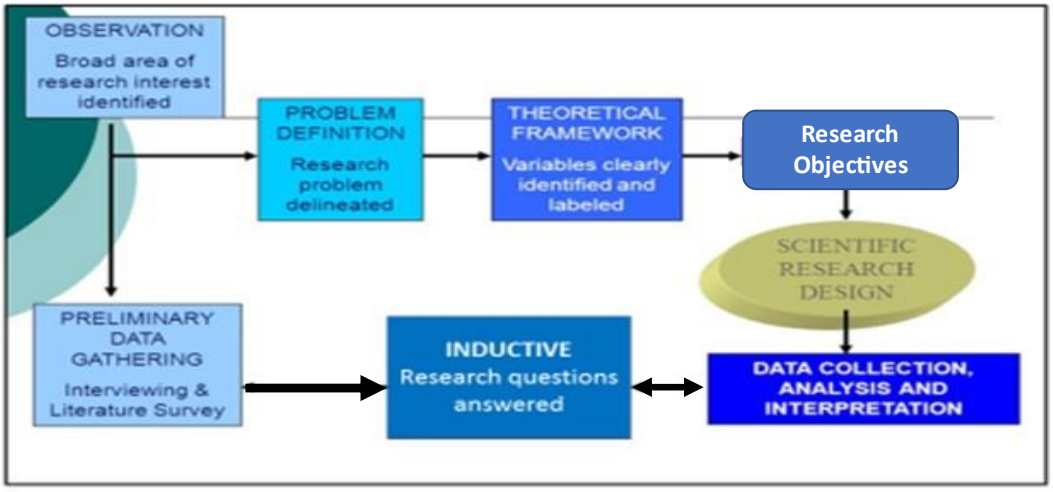

Figure 33: Research design

Source: (Researcher's own)

[123] The findings are specific to the studied groups (beneficiary companies and individuals) and their contexts namely the districts, location among other aspects.
[124] Descriptive since it is interested in describing information obtained on the LED phenomenon in particular communities and groups namely on jobs and economic activities analysis
[125] Exploratory because it seeks to generate knowledge on the LCF programme and LED which are new in Rwanda

5.3.2 Research Problem and Objectives

Many researchers have underlined the importance of well-formulated questions and objectives in quality research. According to Ming (2005: 25), "A question well-stated is a question half-answered". While asking a question, the researcher reflects on what he is studying and plans how it will be studied. Arguably, the researcher needs to consider the possible research outcomes and whether the information needed for the study will be realistically accessed.

Research Problem: How can the LCF model contribute to and enhance LED in the Rwandan context in providing financial support and technical capacity development for local businesses forming a partnership over value chains?

Research Objective: This research problem leads to the general objective, which is to assess whether LCF is an appropriate model to ignite LED through supporting local business.

5.3.3 Research questions and specific objectives revisited

According to Ming (2005), the objectives should be specific and reflect the question that we are asking. Different research questions and objectives will require different methodologies (Ming 2005). Thus, the main research problem and objective lead us to subsequent research questions (RQ) and specific objectives (SO) for the sake of not only pursuing and exploring the research aim but also preparing the ground for research methods.

SO1. To understand and conceptualise the LCF model and show its place and relevance to Rwanda's current LED policy environment.

Key questions for research objective 1 (SO1):

1. What are the typical characteristics of LCF-supported companies?
2. What does LCF design look like?
3. How does LCF design fit/inform/converge with Rwandan economic policy?

To achieve this objective, the LCF model will be comprehensively described, and its design and implementation as well as its place in national policies and strategies will be succinctly analysed and presented.

SO2. To assess the impact of LCF on local economic development in target districts

Key questions for research objective 2 (SO2):

1. To what extent does LCF create income and employment through local enterprises? (see 6.3.1)
2. How does LCF spearhead the growth of local enterprises as growth poles? (see 6.3.2)
3. To what extent does LCF increase districts' growth? (see 6.3.3)
4. How does LCF cater for pro-poor and inclusive objectives? (see 6.3.4)
5. How does LCF improve local people's livelihoods? (see 6.3.5)

To achieve this objective, an assessment of LCF implementation in terms of job creation, development of local businesses, pro-poor objectives and inclusivity as well as its impact on the economic growth of the target districts was undertaken. In this chapter, LCF economic growth and welfare are both measured as both are core characteristics of the LED approach.

SO3. To assess the drawbacks of the current LCF model and propose the most appropriate model for LED in Rwanda's policy context

Key questions for research objective 3 (SO3):

1. What are the criticisms of LCF design and implementation and their effects on results?
2. What are the possible improvements in design and implementation practices that can increase the LED results?

These research questions can be broken down into relevant sub-questions as follows:

- What are the positive and negative aspects of the current LCF design?
- What are the challenges of LCF governance and effective implementation?
- What are the possible adaptations of LCF design for maximising the benefits and making LCF sustainable a powerful instrument to enhance LED in Rwanda?

The research questions and objectives inform the nature, scope and epistemology of the research as well as the appropriate methods to carry out the research.

5.3.4 Research Methods /Empirical Research

The following section shows how was conducted the systematic collection and analysis of the research data.

5.3.4.1 Introduction to research methods

Our research problem and objective are important and complex which Calls for the use of a "mixed approach" which is a combination of both qualitative and quantitative components to offset the weaknesses inherent in using each approach by itself.

According to Agency for Healthcare Research and Quality/AHRQ (2013: 1-3) and Schoonenboom and Burke (2017: 2-4), MM is the sibling of multi-method research. The combination makes a "strong research design with expanded conclusions". It enhances the credibility based on the integrity of the findings, contextualisation, illustration, confirmation and discovery as well as diversification of views. Furthermore, the combination brings a breadth and depth of understanding and allows for corroboration, triangulation and complementarity of the findings, which leads to multi-validity.

To be clearer the MM approach used in this study will be "QUAN + qual" meaning "deductive-simultaneous design where, the core component is quantitative, and the supplemental component is qualitative" (Burke & Christensen 2014). This is meant that figures from quantitative /numerical data from questionnaires will be provided and interpreted with qualitative findings from texts and information from interviews (Almalki 2016; Schoonenboom & Burke 2017).

5.3.4.2 Measuring the LED

Economic assessment must be both qualitative and quantitative and must consider both primary and secondary information (EDAC, 211; Seberang 2016). According to Plummer and Taylor (2001), LED measurement should take into consideration a local development model (learning, knowledge, institutional thickness, and social capital) as opposed to an econometric model: In addition, it is necessary to understand how market forces combine with non-economic variables to shape economies and affect community welfare. According to Wong (2002), a study on LED factors in the UK and the US revealed 11 factors and about 29 associated indicators which are pivotal to LED success and are grouped into two main categories: Category 1 comprises traditional

factors namely physical site, location accessibility for markets and supplies, human resource, finance and capital, infrastructure, knowledge and technology as well as industrial structure. Category 2 comprises the intangible factors of institutional capacity, business culture, community identity and image and quality of life (Wong 2002).

In sharing LED experience especially on LED performance measurement in Canada, the Economic Developers Association of Canada (EDAC) (2011) determined indicators to measure the number of new businesses opened, full-time jobs created, the size of the workforce, inquiries received, new business investment attracted, building permits (commercial and institutional), business closures, and the unemployment rate (EDAC 2011). SPII& FORDFOUNDATION (2013) stated that LED can also measured on number of business start-ups or their expansions, jobs and productivity growth. Most importantly, LED complexity Calls for both material and non-material measurement to capture the "wellbeing" and "improved life for all" (see details on 3.4.7 and Table 5). Similarly, the LCF has been shaped to respond to LED needs in the target districts. In this regard, the M&E matrix in the LCF operational manual includes 27 indicators in four categories: (1) value chain development: technology and innovations; (2) business partnerships: economic partnerships and informal business development; (3) LED impact on employment and wages, financial performance, access to markets; and (4) technical skills in financial management and entrepreneurship (GoR, LODA & BTC 2016,).

5.3.5 Positioning and rationale of methods for research

While comparing LCF design and other LED measurement proposed approaches above, it is clear that LED measurement has been applied to a wider scope of endeavours than the present research as well as in different contexts, namely, "national or regional level, or measuring the national policy". The present research seeks to limit the scope to a small scale of four pilot districts and at the company level. Despite the limited scope, however, the present research uses indicators that are in alignment with the research theoretical framework, project theory of change as well as the research objectives namely business growth, value chain development, economic partnership, employment, pro-poor and capacity-building. It is important to mention that though other research using LCF M&E indicators shows many similarities despite different scopes; such research together with the growth poles theory informed the present research to go beyond using only the LCF M&E indicators. The present study thus considers and underlines the "quality of life for all"

which is the pinnacle of the LED approach. To measure it, the study proposes to go beyond the pro-poor approach proposed by the M&E matrix but also assesses the socioeconomic conditions in the ultimate beneficiaries' households, such as access to health insurance, education, household assets, and food security, to clearly show the impact of the programme on beneficiaries' lives. Furthermore, the present study uses quantitative data from supported industries, the socioeconomic impact of the presently supported industries in the surroundings of the growth poles (main industries) and propelled areas (partner industry), namely, creation of new industries as well as the relationship between industries and their surroundings.

Justification: While the comprehensive measurement for the LED on both economic and non-economic aspects is theoretically and practically recommended, to the best of knowledge of the researcher, most of the LED programme and strategies performance is measured with hard metrics. That is to say, emphasis is put on economic growth, although employment can be also measured in many instances since it is core to LED. The researcher's concern is the lack of emphasis on the non-material dimension namely inclusivity and livelihoods. For this reason, the present research ultimately proposes to measure both economic growth and improved life for all by including the categories of vulnerable people and informal businesses as well as the impact of the employment and income on employees' families.

To conclude, the scope of the present research is to evaluate the impact of LCF and is not interested in regional and econometric approaches for LED measurement. Thus, the impact of LED on companies and their surroundings (LCF-supported industries as growth poles) and on staff and their families (social welfare). Though the present research limits its scope, it is interested in extra value created for the district economy which is mainly measured with a qualitative approach with in-depth interviews with the key informants. The sections below highlight a detailed approach to the study and conceptual framework.

5.3.6 Research Variables and conceptual framework

Research is about examining the relationship between variables. "*we can define research as an examination of the effects of one or more independent variables on one or more dependent variables"* (Marczyk et al. 2005: 47). In this very research, LED as a dependent variable will be measure. Therefore, the research proposed MM for greater reliability and validity, given the

complexity of the subject (multilevel impact of LED measurement) as well as the research objectives. It is of importance to recall that the research aims at assessing whether LCF can ignite LED through the following objectives:

- Make a positive led impact
- Make a real pro-poor impact
- Create partnerships MSMEs
- Mitigate cost and risk barriers that inhibit development

The variables for research are therefore informed by the theoretical framework LCF M&E indicators. Figure 34 summarises the research SO, the independent and dependent variables which inform the empirical research (see also 5.2.2).

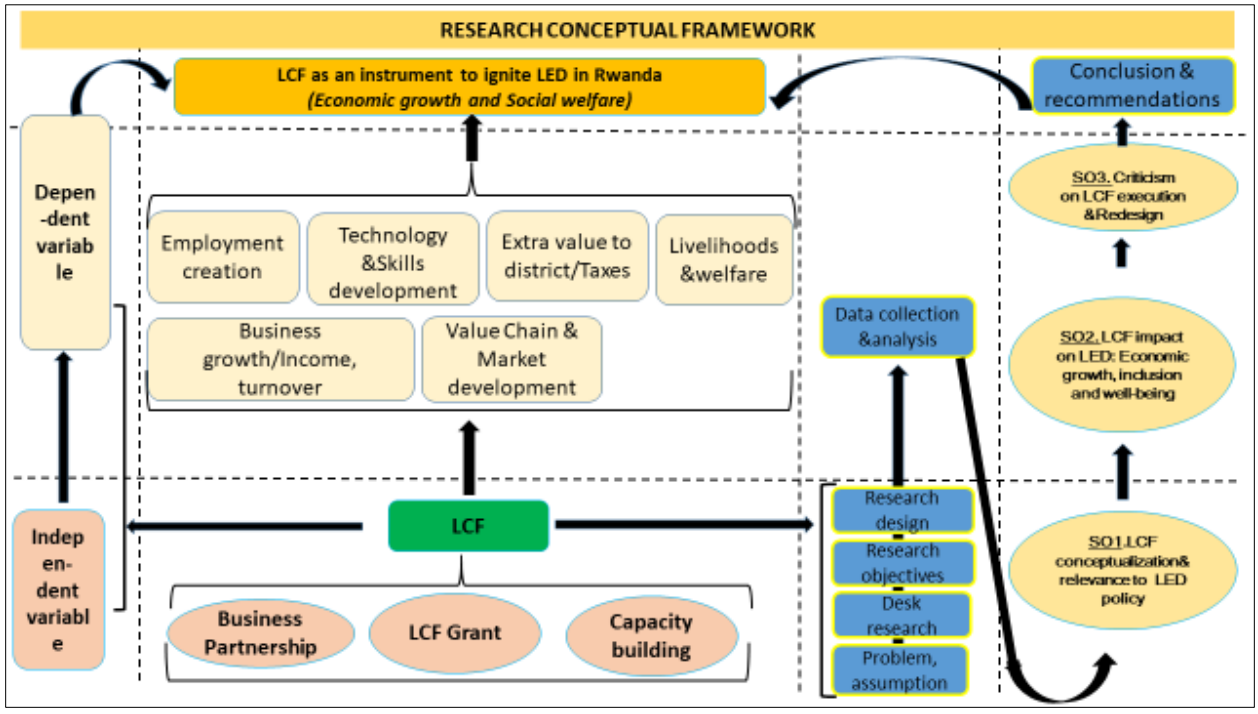

Figure 34: Research variables structure

Source: (Researcher's own 2020)

The research questions and objectives were researched using qualitative and quantitative data and both primary and secondary data. The primary data is first-hand information collected from the field using surveys, interviews and observations while the secondary data refer here to the existing

records of the government or research or project stakeholders' reports which can be of qualitative or quantitative nature. The summarised methods in line with the research questions are shown in Table 12 below.

Table 12: Research questions and methods

Research questions in line with Research SO	**Key aspects for assessment**	**Research methods & data type**
SO1. LCF conceptualisation and relevance to the LED environment a) What are the typical characteristics of LCF-supported-companies? b) What does LCF design look like? c) How does LCF design fit/inform/converge with Rwanda's LED policy? (See 6.3.2)	LCF design and conceptualisation, its place in national policy, company typology	Qualitative/ Desk review (secondary data) Empirical research (primary data)
SO2. To assess the impact of LCF on local economic impact in target districts. a) To what extent LCF creates income and employments through local enterprises? (see 6.3.1) b) How LCF spearheads the growth of local enterprises as growth poles (see 6.3.2) c) To what extent LCF increases districts economic growth (see 6.3.3) d) How LCF caters for pro-poor and inclusive objectives (see 6.3.4) e) How LCF improved local people's livelihoods (see 6.3.5)	Companies' profiles, value chain and market analysis, financial performance, technical capacities and partnership Job creation, the welfare of employees, inclusion dimension, District growth	Quantitative/Survey Two questionnaires on companies and employees + KII and FGDs (Primary data)
SO3. To assess the weaknesses of the LCF current model and propose the most appropriate model for LED in Rwanda's policy context. a) What are the criticisms of LCF design and implementation and their effects on results? (See 6.4.2) b) What are the possible improvements on design and implementation practices that can increase the LED results? (See 6.4.3)	Analysis of LCF design and implementation, issues and suitability for LED, alternative design for improvement	Qualitative / Desk research /interviews (Primary & secondary data)

The researcher has justified the reasons for the MM approach which combines both the qualitative and quantitative approaches. The combined methods enrich the research, information, examine the phenomenon from two sources of information, explain the phenomenon using qualitative or quantitative information and allow for triangulation to confirm or reject the results (Peersman 2014).

The following section details each research method and approaches to analysis.

5.3.7 Research methods for data collection and analysis

This section presents the field data collection methods and data analysis. It describes the quantitative approach and sampling technique used while the second part presents the qualitative research methods.

5.3.7.1 Quantitative Research Methods

a) Study population and sampling

Being empirical, to be legitimate, the research must define the population, behaviour or phenomenon being studied before the research is conducted. In addition, it must describe selection criteria and testing instruments.

- **Population characteristics**

The population comprised the LCF-supported companies in the target districts of Nyagatare, Rutsiro, Gakenke and Gisagara.

The population unit was a company (whether for LCF Call 1 or Call 2). The companies fell into different strata: applicant and partners, W1 and W2, and different economic sectors, namely, agro-processing, handcraft, ICT, tourism and transport and distribution. From baseline reports of both Calls (2016 and 2018), in total, 77 partnership projects were identified: 36 from Call 1 and 41 from Call 2. The partnerships included 198 companies. However, the number of projects and partnering companies had dropped at the time of the survey because of mismanagement that we will come back to later, specifically in two districts of Rutsiro and Nyagatare, where two projects (with five partners) were cancelled which reduced the projects to 75 and 193 partners. Table 13 shows details on study population characteristics.

Table 13: Population characteristics for LCF call1 and Call2

District	LCF Calls		Total projects	Economic sectors					Windows		District share
	Call 1	Call 2		Agro-processing	Distribution & services	Handcraft	ICT	Tourism	W1	W2	
Nyagatare	7	10	17	20	2	18	0	0	10	30	20.7%
Rutsiro	5	8	13	18	0	11	0	7	5	31	18.7%
Gakenke	9	14	23	38	0	20	1	2	13	48	31.6%
Gisagara	13	9	22	21	4	25	3	3	30	26	29.0%
Total	75		75	193					193		100.0%

Source: Adapted from LCF Call 1 (2016) and LCF Call 2 (2018) baseline reports.

It is important to mention that both Calls (Call 1 of 2016 and Call 2 of 2018) had the same design, selection criteria, districts and eligibility criteria and windows (ceiling amount). Only the difference in time will be addressed in the analysis approach.

- **Data set**

Call 1: 94 Companies + Call 2: 99 Companies = **193 Companies**

According to Taherdoost (2017: 237), an adequate sample size is very important to avoid sampling errors. As a formula for large populations, Cochran (1963) cited in Glen (2019) developed Equation 1 to yield a representative sample for proportions in finite populations.

$$n_0 = \frac{Z^2 pq}{e^2} = \frac{(1.96)^2(.5)(.5)}{(.05)^2} = 385 \quad (1)$$

$$n = \frac{n_0}{1 + \frac{(n_0 - 1)}{N}}$$

where

n_0 is Cochran's sample size recommendation,

Z^2 is the abscissa of the normal curve that cuts off an area α at the tails (1 - α equals the desired confidence level, e.g., 95%)[1],

e is the desired level of precision,

p is the estimated proportion of an attribute that is present in the population, and
q is 1-p.

The value for Z is found in statistical tables which contain the area under the normal curve. Our Population (N) is finite and made of companies 182. The confidence interval desired is 95% and the margin for error (5%).

The sample (Subset) is: n= (385/1+(385-1)/385)/193)) = **129 companies**

In addition, for double-checking, using the table published by the University of Florida in 1992, with a confidence level of 95% and margin error of 5% for a population of 175, the sample should be 122 (Israel, 1992:3). Therefore, the researcher is confident that 129 sample units for 193 companies of the study population is appropriate.

The online calculator also gives the same results (http://www.raosoft.com/samplesize.html)

- **Sampling technique**

The research used stratified random sampling. According to Taherdoost (2016), in stratified sampling, the number of participants sampled from each stratum is calculated proportionally to the total population. Stratified sampling is beneficial when there are big differences between the strata, as they can give a more accurate representation of the population and, if the sample is large enough, allow for further subset analysis. Stratified sampling is used when individuals in a population can be split into distinct, non-overlapping groups. These groups are called 'strata'. Common strata are village, district, urban/rural and the like. Given the above characteristics of the study population namely distribution in four districts, applicant and partners (leading and led industries) from W1 and W2 and the various economic sectors stratified random sampling was appropriate.

- **Sample distribution**

The sample distribution followed the proportions of the composition of the sample. To keep the sum of 129 respondent companies, the researcher expressed this as a percentage (129/193= 0.6813187= 66.84%). In all, 77 LCF-funded projects for Call 1 & 2 with 193 beneficiary companies were sampled and reduced to 50 projects and 129 companies. The following table shows the details of the sample distributed over four LCF districts, Calls for applications, funded economic partnerships, economic sectors as well as the funding windows.

Table 14 Sample distribution per district, call, Window and economic sectors

	LCF Calls			**Economic sectors**					**Windows**		
District	Call 1	Call 2	Total projects	Agro-processing	Distribution & services	Handcraft	ICT	Tourism	W1	W2	District Share
Nyagatare	5	7	11	13	1	12	0	0	7	20	20.7%
Rutsiro	3	5	9	12	0	7	0	5	3	21	18.7%
Gakenke	6	9	15	25	0	13	1	1	9	32	31.6%
Gisagara	9	6	15	14	3	17	2	2	20	17	29.0%
Total	**50**		**50**	**129**					**129**		100.0%

Source: Researcher's own 2019

The sample distribution over pilot districts was as follows: Nyagatare (20.7%), Rutsiro (18.7%), Gakenke (31.6%), Gisagara (29.0%). Furthermore, the sample was chosen randomly from each stratum as per characteristics of the population (economic sectors, windows and Calls for proposals).

b) Content and structure of questionnaires

The quantitative research findings are based on two questionnaires given the characteristics of the study population. The first questionnaire targeted the beneficiary companies-cooperatives while the second targeted the companies' employees (final beneficiaries). The two questionnaires were designed to collect information regarding the LED impact on both companies' sustainability and beneficiaries' lives since the aim of LED is "improved life for all". The survey questionnaire was divided into two main parts:

- LED performance indicators: Measuring LED is very complicated because of its multidimensional nature (LED is measured at social, economic and physical levels). An individual-level approach was found to be more appropriate under the circumstances. The key aspects for LED metrics were:
  - productivity measures (GDP per capita);
  - employment level and change;
  - unemployment level, changes and duration;
  - demographics such as migration and population changes; and
  - property-market related indicators such as planning applications (Wong 2002).
- LED spatial units for analysis. The LED theoretical and literature-based study suggested that the district was a more consistent unit of analysis compared to regional or national areas which would complicate the evaluation of the LED impact (Bovaird, 1992).

Business development is one of the pillars of LED. LCF-funded businesses have been assessed to see whether they knew of important changes arising from the LCF. The information (indicators of change) collected from supported companies was also seen as independent variables. The respondents were the company owners or managers and employees. According to different authors, LED impact measurement (metrics) can include different indicators, namely, employment, business development, and socioeconomic indicators. Growth poles effects/changes

can be measured in the planned growth pole, or urban-rural and interregional disparities could be measured (BALLE, 2018; EDRG, 1997; GoR, LODA 2016;). Therefore, the quantitative research on companies sought to investigate the extent to which LCF grants and associated factors (capacity-building and partnership) impacted their operations and growth, staff wellbeing and the district economy. This survey addressed the second research question as per Table 15 below:

Table 15: Structure and contents of the survey questionnaires on LCF-supported-enterprises and their staff

Research questions	**Independent variables**	**Methods**	**Data types**	**Research setting**
RQ2. To what extent LCF implementation brought about LED impact among the project beneficiaries being individuals, companies and pilot districts?				
Tool 1. Survey Questionnaire on LCF-supported enterprises	• Information about the respondent • Information about the business value chain development • Partnership development • LED impact • Employees and wages • Wages of permanent staff • Wages of temporary staff • Turnover and profit • Market access and business expansion • Financial report • Pro-poor impact • Taxes • Impact in the district/growth pole	• Field survey • Observations	Primary data (Qualitative and quantitative)	Field
Tool 2. Survey Questionnaire on LCF-supported enterprises Staff	• Quality of life or amenities: Living conditions in employees' households (Incomes, access to medical insurances, food, savings, education, assets...)	• Field survey • Observations	Primary data (Qualitative)	Field

Source: Researcher's own 2019

c) The data collection technique process and Materials

The survey on both LCF-supported companies and their employees was conducted in the field using the pre-set questionnaires. As it was a quantitative survey, closed-end questions were used: these were yes, no or numerical questions. Quantitative data was complemented by qualitative information. It is important to note that the validity of the findings was checked in the data collection process using nomothetic explanations of the variables following the criteria of nomothetic causality (correlation between variables, the causes precede the effect and non-spurious). This helped to ensure the relation, cause-and-effect between variables.

As far as materials are concerned, the researcher used a digitalised questionnaire in android and an internet cloud system known as ODK given the multiple benefits it offers. According to International Rescue Committee and USAID (2014), ODK is a GSM-android data collection system where a questionnaire is programmed and filled in in situ using android handsets or tablets. It is filled in offline and submitted online. Thereafter, ODK aggregates are transmitted to the server in comma-separated values (CSV) format for analysis. This online data collection system offers many advantages, namely, flexibility in use, data accuracy, remote controlling, GPS real-time capturing for generation of Google maps, photos and video coverage among other benefits (Borriello 2015) These associated benefits essentially lead to intellectual credibility.

d) Approach to quantitative data analysis

The data analysis used aggregate data and statistical and analytical tools were applied to discover useful information and data visualisation for decision-making. After meta-evaluation, the outliers were checked in a data-cleaning process and thereafter, quantitative data was analysed with SPSS. This helped in obtaining the statistical outputs namely frequencies, tabulations, crosstabulations and graphs for the researcher to analyse and understand the variables individually or cause-and-effect relationships.

To this end, the analysis approach took into consideration the verification of researcher assumptions in line with the research problem and objectives (See Tables 12 & 15).

5.3.7.2 Qualitative research methods

It has been previously said there is no single method to evaluate LED impact since it is a hybrid approach aiming at both economic growth (quantitative) and social welfare of the people (inclusive, improved lives for all). To this end, the research sought to assess LED impact from different angles as per theoretical perspectives and especially to cover the knowledge gap resulting in frequent LED measurement using the econometric approach rather than the "MM" approach.

The qualitative approach which is primarily exploratory research was used to collect non-numerical data. It focused on words rather than numbers, depth rather than breadth and aimed at unearthing the opinions, thoughts and feelings of target respondents.

a) Population and sampling for the qualitative approach

Qualitative data were to complete, verify and explain the quantitative research findings and it used FGDs and KII to collect views from different stakeholders. Using judgemental sampling, the population was made of the beneficiary grassroots groups made of LCF-Supported companies' employees and surrounding communities (FGDs). The Key informants were made of policymakers at MINALOC and LODA, district leaders as well as senior staff of LODA and LCF Secretariat as well as the programme donors (Enabel). Table 16 below provides details on the qualitative research approach.

Table 16: Summary of the respondents

Respondent type	**Sampling /Who is the respondent?**	**Quantities**	**Related Research objectives**	**Interview guide**
Key Informants (KIs)	Central level: MINALOC & LODA + LED Experts/DP (Enabel)	5	SO1 SO2 SO3	Interview guide
	Local level: District authorities +Senior staff (BDEU)	10	SO1 SO2 SO3	
FGDs	Staff group/FGDs made of beneficiary-project staff (at least two groups per economic sector and 3 per district)	12	SO1 SO2 SO3	FGD protocol

Source: Researcher's own, 2018

b) Contents of the interview

The target respondents for qualitative research expressed their feelings on the LCF programme in terms of its design and implementation. Design refers to the governance structure, the objectives and eligibility criteria, while the implementation means programme administration, challenges, weakness and strengths. On beneficiaries in particular (FGDs), implementation means refers to the effect of the intervention on their lives and recommendations for improvement of the programme for maximum benefits to the beneficiaries. Furthermore, the interview guide for KIs addressed the views and beliefs of the respondents about LCF, alignment with other relevant national policies, critical analysis of the design implementation, key lessons learnt as well as ways of improvement. It is important to note that in addition to the LCF effect, both FGDs and KIs were asked to share their experiences on the effects of LCF industries as growth poles and whether they added extra value to the district economy (Appendices 9–12).

c) Data collection process

The qualitative data collection was a real-life environmental operation in the field. The field here refers to the four districts where all FGDs and some of the KIIs at the local level took place, while some KIs were located in Kigali (central level)(see numbers per group in Table 16 and interview guides appendices 11&12).

d) Approaches to data analysis

Qualitative analysis comprises transcribing the answers of the interviewees. the researcher generated text files from the audio recordings that were further scrutinised to find patterns and relationships using a thematic approach. The analysis of qualitative information of FGDs and KIIs was done in steps:

Step 1: the researcher read the interview transcripts as collected from the field and made notes of his first impressions of the contents.

Step 2: The researcher read again line by line and isolated the relevant segments by indexing or coding them.

Step 3: the researcher categorised the most relevant extracts, checked the transcripts again, checked the connections between them and conceptualised them. It is important to mention that the analysis process was unbiased with a neutral voice and was conducted objectively without allowing his own bias to influence the interpretation of the findings.

Stage 4: The researcher linked the most meaningful codes with the quantitative results obtained from the questionnaires for purposes of triangulation with the theoretical perspectives, study design and other literature.

5.3.8 Counterfactual and control group

It is important however to mention that achievements recorded from beneficiary at different levels (individual staff, companies and districts) cannot be fully attributed to LCF programme alone. In this line, therefore, there was no counterfactual or secondary data based on an econometric analysis though it is not the chosen method for this very study. However, the researcher has not used a control group given the time and financial limitations. As alternative means, (1) the present study used a comparative approach asking respondents to give answers referring to their situation before LCF and current at the moment of the survey; and (2) It relied on the qualitative approach to gather the surrounding communities and key informants' views on the project. This allowed the researcher to obtain critical information to compare and countercheck the quantitative data from the surveys but also to assess the multiplier effect of the programme.

5.4 NON-EMPIRICAL METHODS

5.4.1 Justification for Use of Non-Empirical Methods

The research was informed by both empirical findings and non-empirical research from secondary data sources and research observations.

Non-empirical research is based on a systematic literature review, meta-analysis and personal observations, reflection, authority and experience of the researcher (Dan 2017). It is important to note that the non-empirical method used here is critically important and in line with our research paradigm (interpretivism) meaning that the results are not completely free from the researcher's own biases and beliefs.

5.4.2 Non-empirical methods and data collection

Non-empirical methods were used for both relevant qualitative and quantitative data to allow for triangulation. It consisted of a systematic review of qualitative secondary data of the LCF programme design and implementation, LED policy and related research published in the past. Similarly, and in addition, a meta-analysis based on a statistical analysis of secondary data from various publications was carried out in an attempt to explain, compare or confirm the primary data results. Furthermore, in addition to desk research (literature review), the researcher used his own observations and analytical measurement namely to introduce or conclude the results. It is worth noting that non-empirical sources used for both research design and interpretation. The following documents were used: LCF operational manual, LCF M&E related reports, baseline reports for Calls 1 & 2 evaluation reports, LED policy and strategies and related publications, publications related to growth poles theory, studies on grant and LED programmes, literature on research methodology, among other sources.

5.5 ETHICAL CONSIDERATIONS

In research, ethics are the norms or standards for conduct that distinguish between right and wrong, prevent data falsification or fabrication since truth and knowledge are the primary goals of the research. According to Edwards et al. (2011), ethical considerations include the following: a) informed consent; b) beneficence – do not harm; c) respect for anonymity and confidentiality; d) respect for privacy. Practically, the research adhered to ethical principles as follows:

5.5.1 Official Authorisation for Data Collection

The research activities were known by central institutions namely LODA and MINALOC who were part of the KIs since they had expectations from the study to inform future design of the LCF programme. To illustrate, they gave access to data and internal archives on LCF. In addition, at the LG level, the request letters explaining the intent and requesting permission and facilitation as well as containing the list of the enumerators were presented to, received and approved by districts (See Appendices 7 & 8). This made the field data collection official on the one hand while the district officials and technicians got involved as KIs as well as mobilising the company respondents and their employees, on the other hand.

5.5.2 Informed Consent

All collected information both in quantitative and qualitative research, numerical and non-numerical was collected after ensuring acceptance and the willingness of the respondents to participate. All interviewees were aware, motivated and were capable of sharing their views and experience related to the research matters.

5.5.3 Beneficence – Do no harm

The process of research ensured there is nonmaleficence. All information or aspects of interest in the research was beneficial both to beneficiaries and to science and all relevant information was considered.

5.5.4 Respect for Anonymity and Confidentiality

This was guaranteed to the participants during both the informed consent stage and at the end of the interviews. The researcher used the principles of anonymity and confidentiality to protect participants' information. Identification of the respondents is not possible in the results.

5.5.5 Respect for Privacy

Similarly, the researcher recognised the sensitivity of working with pro-poor groups who might feel socially discriminated against, especially those in Categories 1 and 2 of *Ubudehe* (the poorest/lowest social categories in the Rwandan context).

Maximum attention paid to these ethics not only reassured the participants but also allowed for free discussions in the face-to-face interviews.

5.6 RESEARCH QUALITY AND VALIDITY

Research validity seeks to ensure that the data collection covers the actual area for investigation or if the research measures what it intended to measure. The question on research validity is whether the measurement was valid and accurate. To respond to this question, the four criteria for research validity measurement according to Taherdoost (2016) are used:

- **Face validity:** This research was valid given the expertise of the researcher. He works in the development field and identified several theories pertaining to this research topic.

- **Content validity:** The research is informed and based on a wide range of literature in development and social studies. The measurement instruments were tailored to LED theories.
- **Construct validity:** though the research used a combined approach of quantitative and qualitative methods, they were separate, and none interfered with the other. Quantitative research was conducted using questionnaires and analysed using pure numerical data whereas qualitative research was conducted in terms of interviews protocols for KIIs and FGDs with the transcripts being coded and categorised into themes.
- **Criterion validity:** In the research, the correlation between variables was assessed to show their interconnectedness.

The research was internally valid because it used triangulation methods and a mixed approach where qualitative and quantitative approaches complemented, verified and explained each other. Furthermore, the research was externally valid because the data can be applied not only to the study population but also can inform similar research in other contexts due to its content, criterion and construct validity.

Finally, the validity of the present research ensures the reliability of the results and the researcher is confident that the research could be repeated with the same design and lead to the same findings. To be feasible, internal consistency across items was tested and test-retest reliability (over-time testing) and inter-rater reliability (across-researchers) were tested by comparing the baseline of the LCF programme on both Calls 1 and 2 and mid-term and end-term evaluations conducted by different researchers, which have shown the same trends, and this ensured reliability.

5.7 CONCLUSION

To conclude, the methodology of the research was built on a set theoretical framework as well as the LCF design. The methodology chapter recalled the research problem, questions and related objectives to inform the methods. In addition, the methodology defined the research taxonomy and presented an appropriate philosophical position which was classified as interpretivist requiring the use of inductive reasoning for measurement. The research paradigm led to the empirical methods and in line with the inherent characteristics of the LED approach and measurement, MM was used to assess the impact of the LCF programme. Finally, the choice of both empirical and non-empirical methods was justified. Thus, 129 supported companies with 101 respondent staff

(Researcher had planned 129 companies and 100 staff) took part in the survey with a questionnaire for quantitative research, while 12 people and 15 KIs participated in interviews and FGDs for qualitative research as planned (see 5.3.7). Finally, based on the above, the legitimacy of the research was assessed in terms of validity and reliability. The next chapter presents the research findings obtained using the methods described in this chapter.

CHAPTER 6: EMPIRICAL FINDINGS, SYNTHESIS AND DISCUSSION

6.1 PURPOSE AND STRUCTURE OF THE CHAPTER

The purpose of this chapter is to present the findings from the empirical research. To set the background to this chapter, the earlier chapters (1 to 5) discussed Rwanda's geographical, socioeconomic and political background, what LED is, its features and place as well as its scope, evolution and underpinning economic theories. The key concepts and theoretical model have been discussed. This chapter seeks to present the empirical findings, analysing the LCF and its impact as an LED practice in Rwanda. It is important to recall that the general objective of this research is to assess whether LCF proposed by the Government of Rwanda as an LED instrument is an appropriate model to enhance LED in the Rwandan context.

6.2 SAMPLE AREA AND RESPONDENTS' DEMOGRAPHICS

6.2.1 Quantitative Data

As per the research methodological plan, the sample of respondents was divided into two categories: 129 LCF-beneficiary companies representatives or senior staff (from 66.84% of the total number of LCF companies) and 101 employees working for those companies in four pilot districts where LCF is operational, i.e., Rutsiro in West, Nyagatare in East, Gisagara in South and Gakenke in North. It is important to mention that three of the selected four were rural and classified as the poorest according to consecutive EICV4 & 5 (Rutsiro, Gisagara and Gakenke), while Nyagatre was selected as one of the six secondary cities of Rwanda for pilot and comparison purposes (GoR, LODA & BTC 2016). Therefore, 230 survey questionnaires were completed. Figure 35 below shows the sample companies' distribution in the four selected areas.

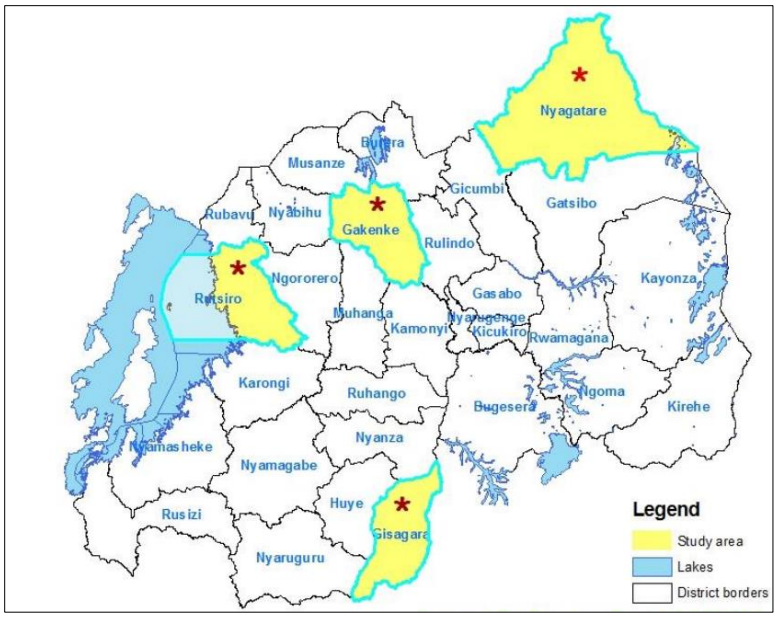

*Figure 35: The distribution of company respondents of LCF (indicated by *)*

Source: (Researcher's own, 2020)

The empirical data came from beneficiary companies as follows: Gakenke 40/41, Gisagara 36/37, Nyagatare 28/27 and Rutsiro 25/24. With regard to the separate questionnaires planned for the employees, 101 feedbacks were returned, which means that for both types of questionnaires the legitimacy targets were reached. Table 17 below shows the data distribution over districts and the proportions of companies' and employees' responses.

Table 17: Findings related to the distribution of the responses over LCF pilot districts

District	Companies	Employees	Total	Percent
Gakenke	40	23	63	27.4%
Gisagara	36	33	69	30.0%
Nyagatare	28	23	51	22.2%
Rutsiro	25	22	47	20.4%
Total	**129**	**101**	**230**	**100%**

The study also considered the proportions regarding different LCF Calls for proposals (C1 and C2) to inform the comparison between the first (2017) and the second call (2018). Similarly, proportions were observed at the level of funding windows (W1 and W2) and economic sectors

(agro-processing, handcraft, tourism, ICT and services) to further determine the inclusiveness of LCF and the comparison between economic sectors. Conversely, of 129 sample companies, a small difference was observed in feedback from C1 and C2. The empirical data show that 47.4% (was for small and informal companies) and 52.6% (formal, advanced) in C1 on one side. In addition, for C2, the rate of small and informal companies was 36.5%and 63.5% for formal and advanced companies which shows that small companies in C1 had more data compared to the newly awarded in LCF C2[126].

The companies' questionnaire was answered by owners (40.3%) and leaders or legal representatives of the institutions (42%). Other responses came from managers and professional staff who were skilled and knowledgeable about the companies' business (10.5%+4.8%= 15.3%), while labourers constituted 1.6%. By contrast, out of 101 survey responses from companies' employees, almost a half of responses (48.5%) came from the labourers, followed by skilled professional staff (37.6%) totalling (86.1%) with the remaining share distributed among managers, owners and leaders interviewed as employees of the beneficiary companies (13.9%). In light of these results and in line with the research objective, the findings were logical given that the staff survey particularly targeted the staff in lower social categories mainly to assess the socioeconomic impact of the project on beneficiaries' livelihoods. Figure 36 gives more details on the separate response rates of both surveys.

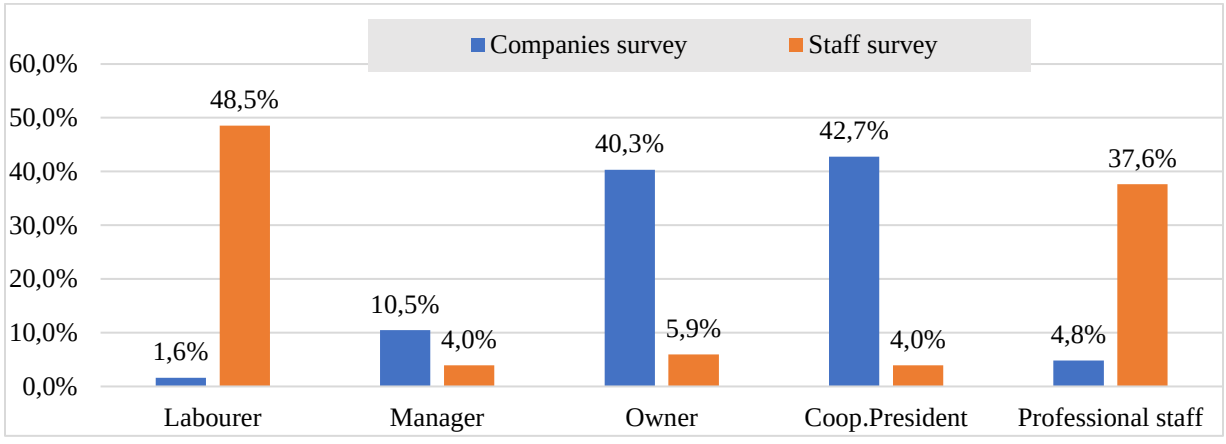

Figure 36: Findings related to the distribution of responses per type of survey

[126] This might be attributed to technical training and grant benefited from LCF.

It was also interesting to determine the working experience of respondents in their respective companies for both surveys, either as staff or as the employer/owner or leader of the business entity. The feedback showed the contrast in working experience with the businesses; while the majority of 41.6% of respondents in the staff survey had worked with their companies for less than one year and only 17.8% had been employed there for more than three years, the majority of respondents in the company survey (61.3%) knew the business well (have been senior staff or managing the businesses) for above three years and only 2.4% had been there for less than one year. This shows that most of the staff recently joined the companies with the advent of LCF, while company owners and few senior staff had been there longer. Further details are provided in the discussion on wages (see Section 6.4). Figure 37 sheds more light on this.

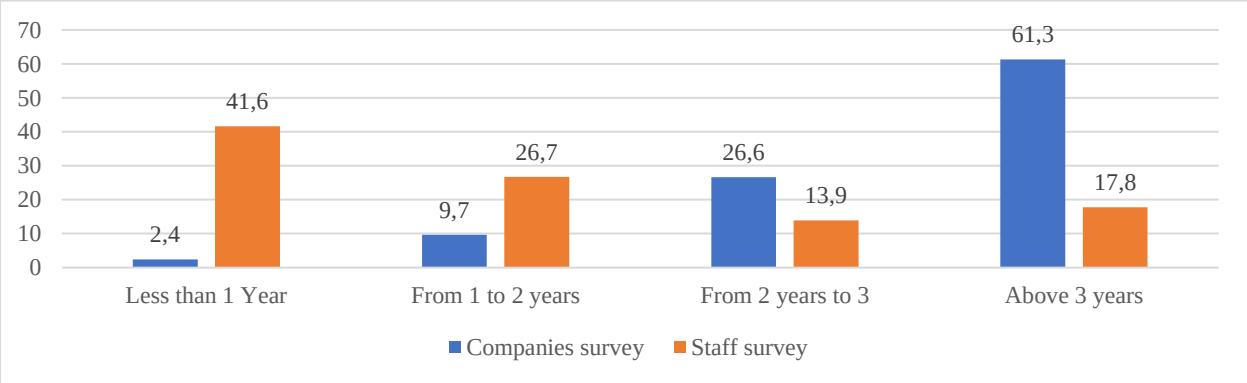

Figure 37: Findings related to the experience of respondents with the employing companies

6.2.2 Qualitative Data

In total, 13 FGDs were conducted in four target districts although 12 had originally been planned. The FGDs fed into the research by providing a broader range of information and collective views and perceptions about the LCF and its impact. The 13 FGDs were made up of 167 staff and companies' owners/leaders. With regard to the KIIs, 16 interviews were conducted by the researcher with people who were knowledgeable about LCF and LED policymakers at both national and local/district levels. Table 18 below provides an overview of these respondents.

Table 18: Participants in interview and focus group discussions

Qualitative technique	Respondent categories	Planned	Empirical/ Achieved	Percent
Key Informants (KIIs)	Central level: MINALOC & LODA + LED Experts/DP (Enabel)	5	7	**140%**
	Local level: District authorities Staff (BDEU)	10	9	**90%**
FGDs	Staff group/FGDs made of beneficiary-project staff (at least two groups per economic sector and 3 per district)	12	13	**108%**
Total				**107%**

The information provided in Table 18 above shows that targeted respondents for both quantitative approach (surveys) and qualitative (KIIs and FGDs) were more than originally planned. This is an expression of the interest of respondents in LCF which led to the researcher's satisfaction with the research data which supported the quantitative findings from the surveys. Hence, the mixed approach allowed him to develop a comprehensive assessment of the phenomenon.

6.2.3 Demographics

As far as gender representation is concerned, the empirical findings showed that data were gathered from women and men in proportions of 46.0% and 54.0% against the initial plan of 50%-50% respectively, which means that the findings were quite gender-balanced. As for the marital status of the respondents, the findings show that the majority were single (52.5%), 45.5% were married while 2.0% were widows/widowers.

As far as age and education of respondents were concerned, the findings showed that the majority of respondents (60.4%) were young people (30 years and below) while a few (2.0%) were above 50 years of age. This shows that jobs were mainly occupied by the youth. By contrast, in the same age range for companies' respondents (for owners and top managers), the youth (30 years and below) represented only 17.8% and the majority were older than 30 years of age. This shows that the majority of companies' owners or senior staff are older than other staff. Figure 38 gives more details.

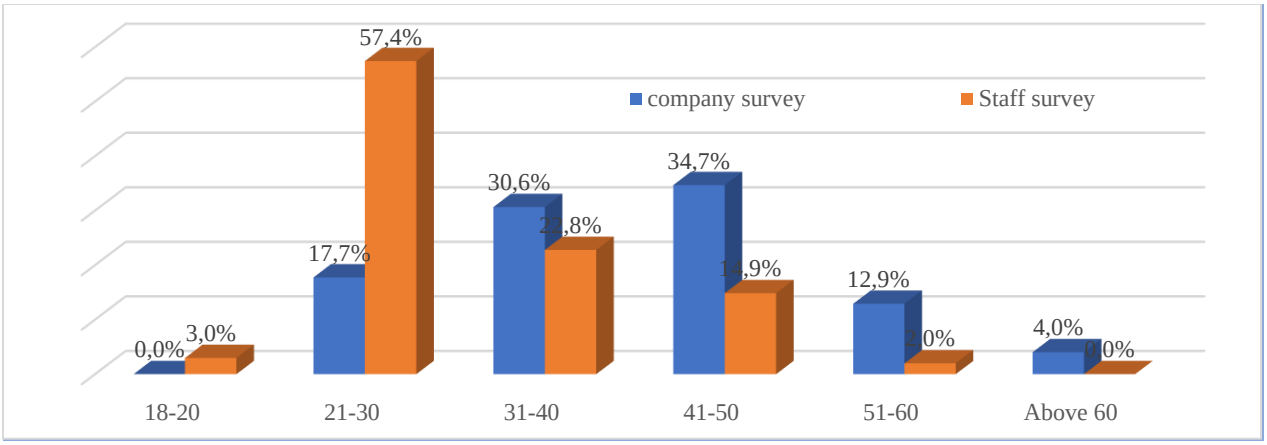

Figure 38: Finding related to age categories of respondents

Concerning the education profile of respondents, feedback came from all categories of education from illiterate respondents (in unskilled labour in staff questionnaire) to university education (the majority being skilled labour who responded to questions about their work). Table 19 below gives more details.

Table 19: Findings related to education profile of respondents

Education level	**Frequency Companies Survey**	**Frequency Staff survey**	**Companies survey (%)**	**Employees survey (%)**
Illiterate	0	9	0.0	8.9
Literate	1	2	0.8	2.0
Post-graduate	4	1	3.2	1.0
Primary education	41	22	31.5	21.8
Secondary education	41	42	31.5	41.6
TVET-Vocational training	15	24	11.3	23.8
University education/Bachelor's degree	28	1	21.8	1.0
Total	**129**	**101**	**100.0%**	**100.0%**

While considering the job distribution over education profiles and considering both proportions of respondent categories, the findings show that more responses came from staff with a secondary school level of education (36%) and only a few from illiterate employees (4%). The same findings show that businesses are employing graduates of vocational schools (TVET) and on average made up 17% of employers and employees. In addition, more TVET graduates are being employed than

creating business which is explained by the fact that employees < age 30 are in the majority (60.4%) as opposed to employers and senior managers (17.7%) in the same age category. Nevertheless, this indicates the contribution of the national strategy of promoting TVET schools in addressing unemployment and LED (see 2.3.3). Figure 39 shows related details.

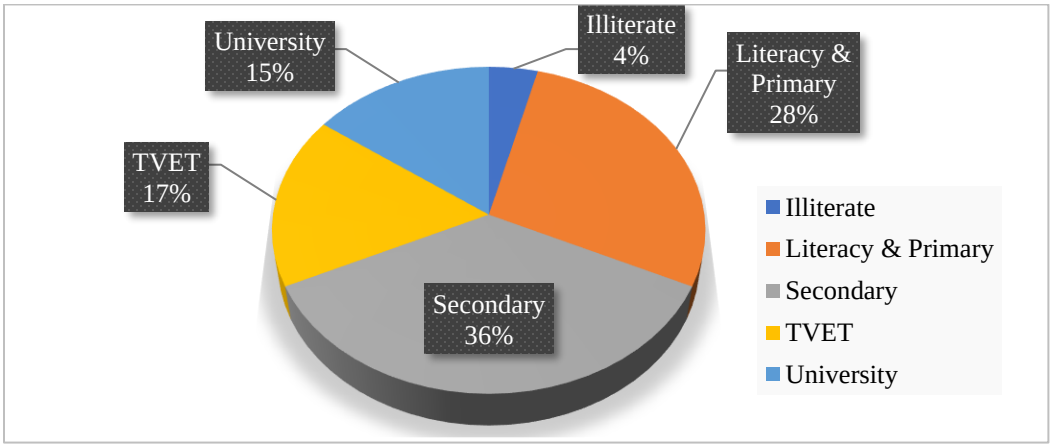

Figure 39: Findings related to education background of the respondents

6.2.4 Household Characteristics of the Respondents

The independent variables on households' characteristics were also assessed to analyse the impact of LCF on their lives. The findings have shown that the majority (45%) of staff employed by LCF-beneficiary companies were children in their respective families, while 48% (30%+18%) were household heads (HHS) or parents. In addition, a minority of 7% either lived alone or were relatives of family members. In other words, this means that at least 93% of the incomes from LCF-beneficiary companies' employment was directly beneficial to the family members through household income contribution by a child or HHH parent. On average, an employee household comprised five members with 2.8 working while 2.2 were dependent. Further analysis on this aspect will be made in the discussion on the impact of the LCF intervention on local livelihoods (6.6). Figure 40 below gives more details on respondents' households' functions.

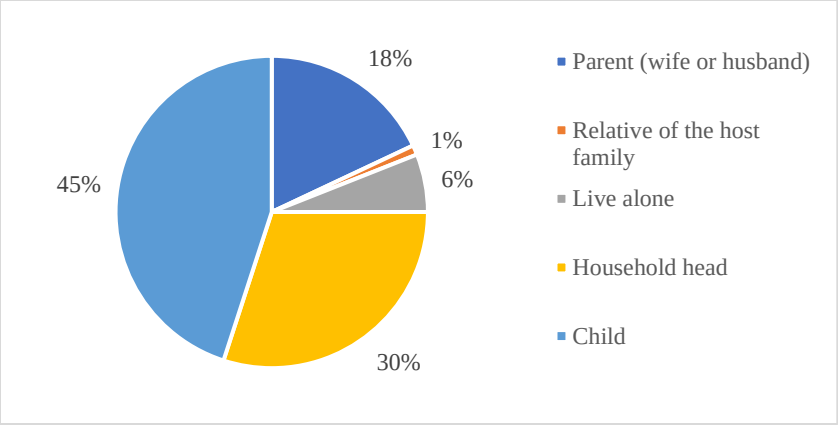

Figure 40: Findings related to respondents' function in the household

6.2.5 Socioeconomic Categories of the Respondents

Furthermore, knowing the socioeconomic standing known as Ubudehe [127]categories among the respondent staff was also found very informative especially with regard to inclusion. In this regard, the findings show that the majority (52.5%) fell into the lowest social socioeconomic categories of *Ubudehe* (Cat. 1: 9.9% & Cat. 2: 42.6%) while 47.5% were in Category 3. However, no Category 4 beneficiaries were found among the LCF-beneficiary-respondents (richest). This means that the LCF programme caters for lower-income categories and that the project is beneficial to people in need, which was indeed the aim of the intervention "pro-poor approach" (GoR, LODA 2018). More analysis on inclusion can be found in section (6.4.5.2).

6.3 FINDINGS ON LCF CONCEPTUALISATION AND CONVERSANCE WITH NATIONAL ECONOMIC POLICY

This section seeks to assess Objective 1 of the research "To understand and conceptualise the LCF model and show its place and relevance to Rwanda's current LED policy environment". To tackle this objective, the following related research questions were answered from the empirical data:

a) What are the typical characteristics of LCF-supported companies?
b) What does LCF design look like?
c) How does LCF design inform/converge with Rwanda's economic policy?

[127] In the Rwandan context, the "Ubudehe category" refers to the classification of households according to their socioeconomic levels, from 1 = poorest to 4 = richest

6.2.1 What are the Typical Characteristics of LCF-Supported Companies?

In line with the first research objective, the purpose of this section is to understand the typology of supported companies as part of understanding the LCF programme, its philosophy and LED policy contribution. In this section, companies' size, forms, memberships, windows and partnership types are analysed for a deep understanding of the LCF following the first research objective.

6.2.1.1 Priority economic sectors funded by LCF programme

As earlier mentioned, the LCF objective was to stimulate LED in the targeted districts. The five priority economic sectors funded by LCF in both Calls for proposals were (1) agro-processing, (2) handcraft, (3) tourism, (4) ICT and (5) transport and distribution (services). The priority sectors are well aligned with the priority sectors identified to spearhead LED in the CD & LED strategy 2013-2018 (GoR, LODA 2017). The relevance and logic behind the selection of the economic sectors are discussed in later sections. The findings revealed that the majority of locally funded businesses are in the agro-processing sector (50.8%) while ICT is the least with 1.6% of the businesses. The dominance of the agro-processing sector is in line with and contributes to the Rwandan development paradigm based on agricultural transformation. Agriculture is the backbone of Rwanda's economy, but it also meets the national priorities. This point was discussed in detail in Chapters 2 and 3 on the agricultural transformation paradigm (innovation, increased productivity, market and value addition in PSTA4) (GoR, MINAGRI 2017:9; GoR, MINECOFIN 2017). The following figure gives details.

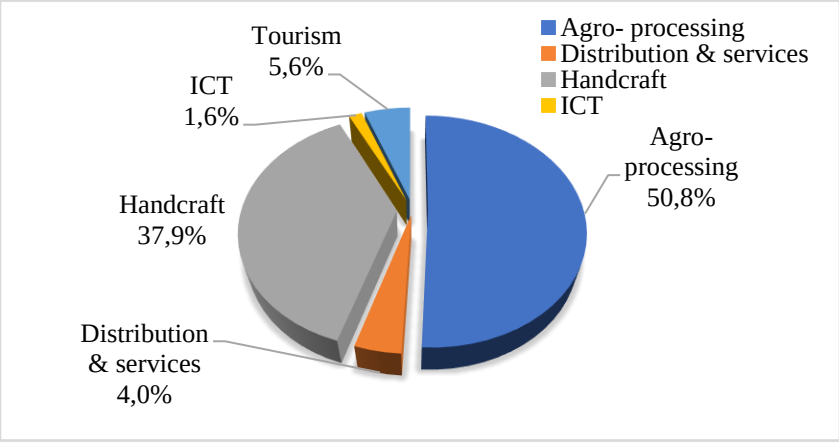

Figure 41: Findings related to economic sectors funded by LCF programme

6.2.1.2 Value chain specialisation

Value chain development and addressing the market failures are among the core developmental objectives for LED (Cunningham 2016; ILO 2015). To this end, it was important to assess the specialisation of the supported companies especially in terms of the main "segments of the value chain". The empirical findings showed that manufacturing (or processing) was the major segment of value chains (52%) while services of transport and distribution represented only 6.5%. This shows the extent to which LCF comprehensively funded the value chain segments which was made possible by the specialisation of economic partnerships among actors (See Table 20).

Table 20: Findings related to the specialisation of value chain segments in LCF-funded businesses

Value chain segments	**Frequency**	**Percent**
Manufacturing	68	52,4
Raw materials provision	33	25,8
Selling	20	15,3
Distribution	8	6,5
Total	**129**	**100**

However, in the value chain stages supported by LCF, the raw material production (primary sector) was not included. Rather, the post-harvest/value-adding stages of the value chains were supported by LCF. This means that LCF-supported-companies were to take advantage of abundant raw materials and local potentials available in LCF districts with immediate value addition with LCF funding namely agriculture and forestry resources, tourism and minerals products which are the economic backbone of the target districts. LED strategies of those districts show that agro-mining, agro-tourism, ICT and market development are the basis of their local economic competitiveness (Nyagate district 2019; Rutsiro district 2017; Gakenke district 2018; Gisagara district 2018) (see also Appendix ?).

6.2.1.3 Economic partnership and typology of funded businesses

One of the conditions to access LCF grant was to create economic partnerships between businesses to overcome economic barriers namely by reducing production costs which is one of the aspects of LCF. The empirical research showed that among the LCF-funded businesses (193) in both Calls, 92.7% of them were informal against 7.3% which were formal. This coincides with the national

census of 2017 where it was found that the private sector is dominated by the informal sector at a rate of 93% against 7% of formal businesses.

- Funding windows

As seen in Chapter 4, LCF effectively funds local enterprises of different sizes and terms of working capital. The research findings showed that the LCF funded three categories of enterprises: (1) formal SMEs; (2) informal groups (pre-companies or pre-cooperatives); and (3) non-governmental organisations (NGOs) and TVET schools. Furthermore, to benefit from funding windows (W), business partnerships were required in a specific value chain in at least one of the aforementioned sectors. Consequently, only formal companies including locally advanced ones (the growth poles) were granted the W1 grant (from > RWF10Million to RWF40Million[128]) with a joint-own contribution of 30% of the requested amount as part of the project execution.

Unlike W1, W2 was a grant from > RWF 5Million to RWF 10Million (See Table 9). In both Calls, W1 beneficiary companies were made up of the partnerships between formal and informal businesses. The formal businesses were registered companies, NGOs or TVET schools partnering with local informal groups with a total own contribution of 10% as part of the project budget. From the KIIs and researcher own observations, NGOs and TVET schools and formal companies that led the partnerships under W2, technically supported the informal groups to grow technologically and economically which shows the inclusivity of the LCF programme. As mentioned earlier, informal businesses should not be seen as a threat, but should rather be supported to formalise and contribute to economic growth (Cunningham 2016; ILO 2019: 1-12). The inclusivity and LED characteristics of LCF are discussed later. However nonetheless, the trickle-down of best practices from the stronger leading companies to partnering weak/informal businesses was envisaged in both W1 and W2. Furthermore, the empirical research shows that in both Calls, W1 projects amount to 32.3% while W2 businesses were recorded at a majority of 67.7%. Further, available data indicated that there was an increase in W1 businesses from Call 1 (23%) to Call 2 (47%) respectively. This is an expression of increased participation of informal groups and small projects which is a positive sign of increasing inclusiveness of LCF.

[128] RWF1,000 = USD1

- Types of companies

Concerning the types of businesses, the funded ones were mainly companies (41.9%), followed by cooperatives, also at a rate of 41.9%, and NGOs and TVET at 2.4%. The aforementioned figures of 7.3% of informal businesses and 2.4% of NGOs and TVETs provide information about the openness and inclusiveness of LCF in favour of micro and informal groups, since, according to the LCF manual, NGOs are meant to support informal groups (pre-cooperative or an informal company) with the purpose of fund administration and capacity development for those informal partners (LODA & Enabel 2018). Figure 42 shows the registration status of the respondent companies as of November 2019.

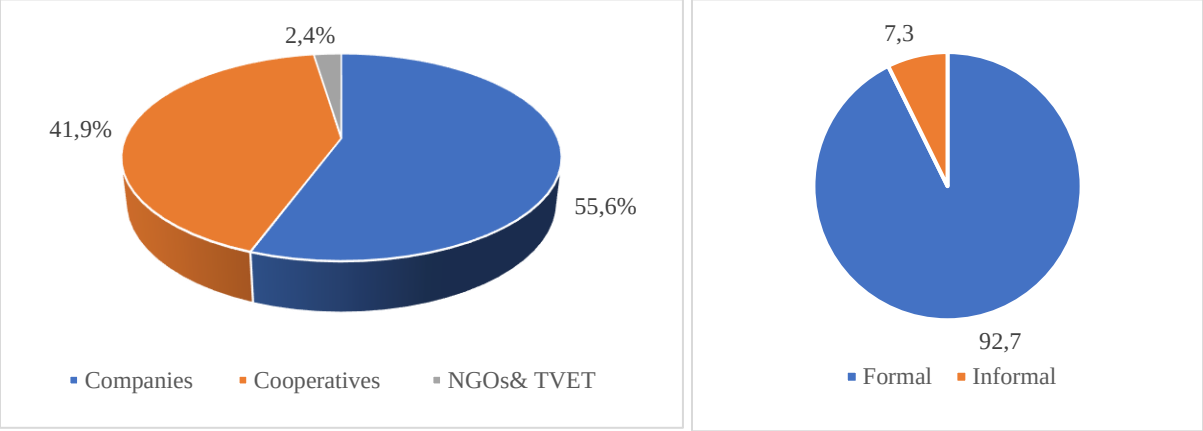

Figure 42: Findings on beneficiary companies' types and registration status

Likewise, Figure 43 below summarises the distribution of companies over target districts. It can be said that Gisagara was more inclusive for informal companies with 20.4% of the total businesses while Rutsiro had no share for informal companies.

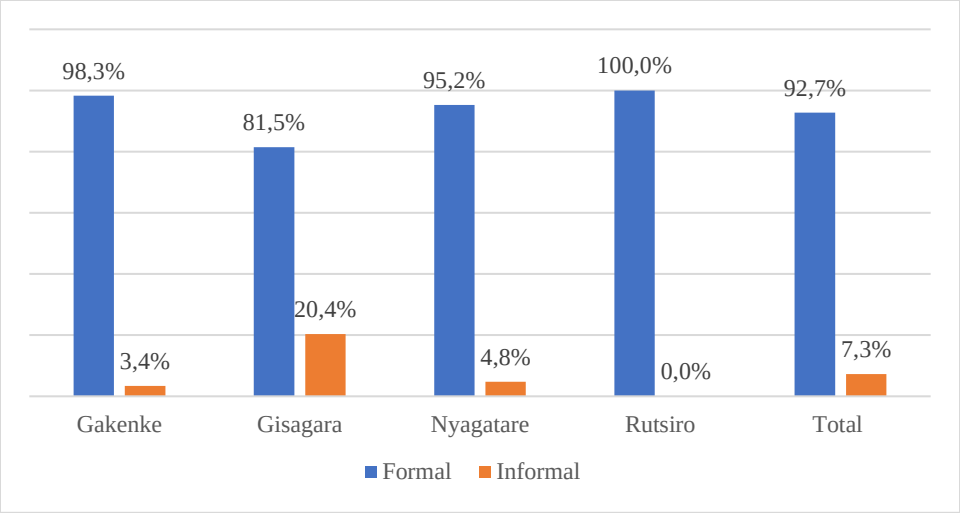

Figure 43: Findings related to the distribution of informal and formal companies over LCF target districts

It is important to mention that according to KIs, the limited participation of informal groups (7.3%)[129] was due to difficulties in formulating projects and finding a partnership with advanced companies despite the technical support provided to those informal groups. However, in business informality alone does not translate into inclusivity, because other aspects, namely, level of capital and technology and finances are also considered under inclusivity. This will be specifically analysed in 6.6.

- Size of the funded businesses

In addition to the information on beneficiary-company profiles, it was important to know the size of supported businesses. LCF is intended to support MSMEs per definition in terms of the number of staff (see Figure 44). The findings show that most companies have 2 employees (41%) while only 1% of them have 10 staff members, 1% have 22 employees, and another 1% have 26 employees, while a small portion of 6% of supported companies have a single employee. On average, the surveyed companies have 2.3 employees. The researcher further aggregated the data for categorising the MSMEs as per the Rwandan categorisation system for establishments. Findings indicate that all LCF companies are limited to micro and small categories, and there were no medium or large companies (31 staff and more than 100 staff respectively). Figure 44 compares LCF with 2017 census data.

[129] Normally 7% is the national rate for formal companies which is the reverse here for LCF (Formal 92.7 % vs informal 7.3%)

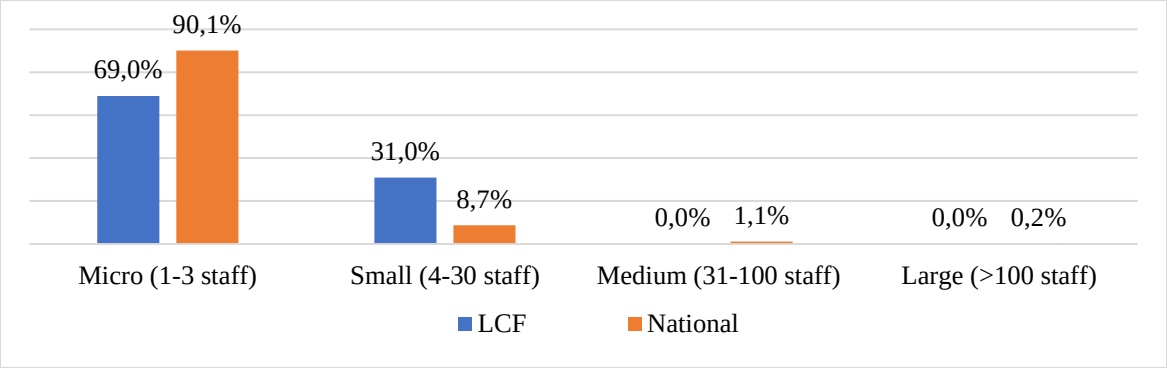

Figure 44: LCF-funded businesses size/typology versus national establishments as per census 2017

ILO (2015) underlined the importance of SMEs as the major contributors to job, income and growth creation in all countries, particularly in the developing world. Their findings revealed that the total contribution of SMEs is 67% of total employment (ILO 2015). Likewise, LCF is dominated by self-employment and micro-enterprises employing 1-3 staff (69.0%) which is lower than the national figure of 90.1% but higher small companies (LCF 31.0% against National 8.7%). This means that LCF was targeting the companies with the potential for job creation and the potential to transform from micro to small businesses. This will be further discussed in section 6.4.

- Summary

The research focused on gender, company owners/leaders, senior managers among staff, employees who enrich the findings features. It can be said that employment benefits most families because working members are almost equal to dependents: 2.8 vs 2.2 respectively. LCF is also an inclusive mechanism for a range of businesses types given the funding provided in W1 and W2 and partnerships created between advanced and small or weak and informal companies. Likewise, LCF-supported businesses are mainly micro and small businesses, which supports the national priorities of job creation and economic growth. In the next section, the relevance of LCF to national priorities will be analysed.

6.2.2 What does LCF Design Look Like?

In an attempt to respond to the second question of research: "b) What does LCF design look like contrasted to Rwanda's economic policy?", this section analyses LCF features, design and governance throughout its execution/implementation since Call 1 in 2017 up to the time of data

collection (June–October 2020). In so doing, the design, objectives and aim of LCF will be compared to the findings to assess its relevance in response to the main objective of the research.

6.2.2.1 LCF execution as per its design selection process and governance mechanism

As earlier stated, the LCF is a programme implemented by LODA based on its custodianship of national LED strategy implementation, development and capacity development in decentralised administrative entities. Emanating from the decentralisation policy, LCF was, therefore, to be implemented in a participatory manner by different stakeholders, namely, MINALOC, LODA, Enabel, local governments/districts, the private sector, as well as beneficiary companies seeking grants (LODA & BTC 2017b). This section intends to assess participation in LCF-beneficiary selection and execution as per the initial design. The information is based on the LCF Manual of LODA and Enabel (2017), KII's perspectives and the researcher's own experience[130] as one of the agents in charge of LCF execution, the Call 1 in Rutsiro (2016-2018) and Call 2 in Nyagatare. All these stakeholders participated in LCF implementation from the preparation of Calls, launch, beneficiary selection process, transparency mechanisms, funds administration, technical training as well as monitoring and evaluation in their respective roles.

6.2.2.2 Key features of LCF programme execution and stakeholders' participation:

- Central level

During LCF implementation at both local and central levels, the concerned institutions played their key roles in running the programme and ensuring its success. As per the design, the key role players were as follows:

At the central level, with the financial and technical backup of the development partner (Enabel), MINALOC/LED directorate and LODA/LED division initiated and managed the programme. They designed LCF its funding windows and prioritised economic sectors. LCF high-level administration was put in LODA's hands while MINALOC was the technical agency. LCF was a co-funded programme by Enabel and the Government of Rwanda (81.2%-18.2% respectively). Funds were given to LODA following the signed agreement, and, in turn, LODA channelled the

[130] The researcher was a National LED Technical Advisor and in the LCF programme execution based at LODA

funds to the districts for disbursement to beneficiaries. In addition, the co-funding of GoR was paid by the districts under the guidance of LODA.

Technical joint technical consultation and management committees were put in place, namely the Technical Committee and the IC in charge of programme management and decision-making respectively. These committees were set up and given responsibilities as per LCF design. The diversified composition of these committees comprised members from LODA, MINALOC, Enabel and Rwanda Cooperative Agency, for consultation and accurate decision-making in the LCF management process.

- Local government level

The districts were entrusted the local administration of LCF funds at the beneficiary level, with daily management by BDEU. The role of districts was to participate and ensure the success of the programme, namely in mobilising local companies and making primary assessments of sound LED projects responding to districts' development strategies (with a joint-selection committee of district management, PSF and JADF). PSF also had the role of awareness-raising among local businesses inviting them to apply for an LCF grant.

It is also important to mention that LODA and districts served as LCF custodians using LCF secretariats. In addition to funds management, they were to provide technical skills to beneficiaries to ensure proper use of funds and business transformation by beneficiaries in the form of technical training and mentorship. The BDS were carried by Enabel and LODA, districts technicians and a private BDS provider hired for training and coaching the beneficiary companies and was expected to make grants effective but also to cover gaps identified by beneficiaries at the beginning of the projects in the baseline studies (Baseline reports 2017 and 2018 respectively for Call 1 and Call 2). In both Calls, beneficiaries expressed their needs which were mostly centred on skills gaps in financial management, marketing, human resource management, appropriate technical skills in the production process, and strategic planning among other fields (GoR, LODA & BTC 2016; 2017; 2018).

- Beneficiary level

Beneficiary companies were only awarded the grant upon presentation of projects in partnership (at least two businesses). At the funded project level, participatory mechanisms were also ensured by establishing a joint-project management committee as well as a procurement committee where project partners were represented (applicant and partner companies). For a project to selected, a partnership was formalised by a signed and notified agreement. A contract between the district and the beneficiary company (applicant) was also signed for every project. According to the LCF Manual (LODA & BTC 2016; LODA & Enabel 2018), for transparency, LODA and District BDEU technicians were to sit on every project committee to advise about the project management decisions. Moreover, the project procurement committee was also to ensure transparency in the procurement process when project partners spent the grants on equipment and different services.

The selection process was participatory: The expression of interest (EOI) phase was evaluated by the district evaluation committee, while the full proposal and due diligence (DD) phases were appraised by external/independent consultants hired by Enabel and LODA to match desktop information with the reality on the ground. In the latter case, evaluators focused on the commercial viability of projects and the capacity of beneficiaries to make their own contributions as a prerequisite, and they assessed the partnership among other aspects. In this process, the LCF secretariat was to check administrative compliance. The final stage was the approval by the National IC.

- LCF secretariat and programme digitisation

Projects were captured, and data was uploaded and evaluated the MEIS as per the initial plan provided in the programme manual (GoR, LODA 2017). Both applicants and evaluators used the MEIS, and feedback to the former was given through the system. Similarly, districts and LODA used the system for financial management as well as M&E. It was noted that LCF-support to beneficiary projects went beyond the contract period (one year-fund disbursement). When the field research was done in November 2019, this was one year after the closure of LCF Call 1 grant disbursement, but technical capacity development activities were still being conducted by LODA and the districts. Furthermore, in our assessment at the levels of design and execution, both LCF Calls (1 & 2) were empirically alike. The programme design was duplicated in the four pilot

districts to compare the outcomes of the two Calls. During the application phase, evaluation and feedback, the LODA-LCF website was used for uploading, evaluation and feedback via emails to beneficiaries which was an innovative, easier and more transparent mechanism for the secretariats (Central level for LODA and at the District level BDEU). This model is discussed in detail in section 6.8.

- Assessment of participation

In his analysis, the researcher assumed that LCF was implemented through 13 main steps: A. early stage (3 steps); B. selection process (5 steps); C. implementation stage (4 steps);and D. post-project stage (1 step). Table 21 below summarises the participatory mechanisms of LCF as per its design and governance at these stages.

Table 21: Findings related to stakeholders' participatory mechanisms for LCF programme execution

Level & Stakeholders	**Central level**			**Local level**		
	MINALOC	**Development partner (Enabel)**	**LODA**	**District**	**PSF**	**Beneficiary companies in partnership**
Key Stages of LCF						
A. Early Stage						
1. Agreement about LCF	YES	YES	YES	YES		
2. LCF Design	YES	YES	YES			
3. Awareness and launch			YES	YES	YES	YES
Subtotal	**2**	**2**	**3**	**2**	**1**	**1**
B. Selection Process						
4. Technical assistance to beneficiaries			YES	YES	YES	YES
5. Evaluation of "EOI" applications			YES	YES		
6. Evaluation of "Full proposals"			YES		YES	
7. Due diligence		YES	YES			
8. Final approval by the IC	YES	YES	YES			
Subtotal	**1**	**2**	**5**	**2**	**2**	**1**

Level & Stakeholders	Central level			Local level		
	MINALOC	Development partner (Enabel)	LODA	District	PSF	Beneficiary companies in partnership
C. Implementation Stage						
9. Contract negotiation			YES	YES		YES
10. Funds administration (Disbursement)			YES	YES		YES
11. Capacity-building		YES	YES	YES		YES
12. M & E and Audit	YES	YES	YES	YES		
Subtotal	1	2	4	4	0	3
D. Post-project stage						
13. Capacity-building and knowledge management		YES	YES	YES		YES
Subtotal	0	1	1	1	0	1

With regard to power-sharing in decision-making and involvement in project implementation, the above table counts a total influence equivalent to 42 YES = 42 counts. The power-sharing process was quantitatively calculated to reflect the power of decision-making by all concerned institutions in the course of LCF execution throughout the proposed key stages (ABCD) as indicated in Figure 45 below. It can be deduced that LODA as custodian stakeholder and being at the central level had the greatest decision-making power and influence (31.0%). followed by districts with 21.4%, while beneficiaries were involved at a rate of 14.3%. In the latter case, it is interesting to note that beneficiaries also participated in decision-making processes on projects benefiting them. Figure 45 below summarises the findings on stages comparison.

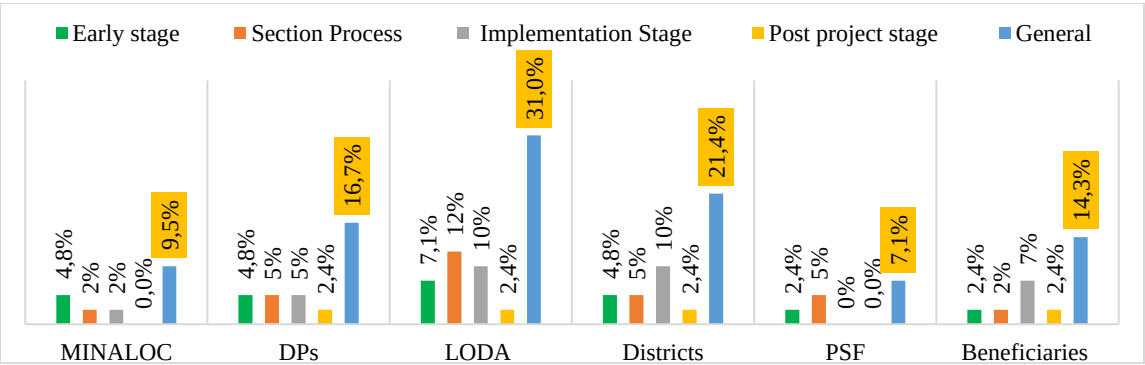

Figure 45: Analysis of stakeholders' participation in the key stages of LCF programme management

With the above information on LCF execution, governance and stakeholders' participation, the implementation of LCF can be regarded as a participatory process in the implementation, selection process and stakeholder participation. However, the findings in Figure 45 above show that, although participation was effective, the central level of DPs, LODA and MINALOC had greater influence (more than half).

6.2.2.3 LCF as a competitive grant

LCF calls for competitive local businesses with good business models that want to boost their business and fulfil their business goals. This engenders high levels of competition amongst local businesses to meet the requirements of the rigorous selection process from EOI to final approval, and contract signature with the districts as the last stage to access LCF grants. Moreover, based on the LCF manual, empirical data and own experience, the competitiveness for LCF grant was determined by several factors as follows:

- Quality project: satisfying the Districts' LED priorities, technically and commercially viable, among other criteria for suitability.
- Administrative requirements: official registration (not required for informal groups), certification of business activities by local authorities, and a formal partnership agreement. This criterion includes proof of own contribution by the beneficiaries. Once met, the projects were passed on approval by the IC. Once approved by the IC, however, the beneficiary was requested to fulfil the last condition, namely the guarantee.
- Guarantee for the project (at least the first instalment of 40% of the grant) (LODA and Enabel 2017). As earlier said, LCF implementation follows several principles as per its design. Following a rigorous process and meeting the administrative obligations makes LCF a highly competitive grant. Referring to Table 11 in the LCF Chapter, it is clear that the LCF initiative has so far mobilised 702 partnership projects; however, only 12% met the funding requirements and were awarded the grants (GoR, LODA & Enabel 2019b; GoR, LODA 2020a).

The competition for funding showed a significant reduction of EOI from Call 1 to Call 2. The rejection of beneficiaries' projects at the first call (93% were rejected while only 7% were awarded) impacted the applications for Call 2, where the number of projects was cut down by more

than half (from 497 to 205 projects) but with a higher rate of awards: from 7% to 20%. The findings indicate that projects are more likely to be rejected at the EOI stage (more than half: from 100% to 40%). In total, only 10.1% of partnership projects are successful (from 702 to 71 projects) in both Calls. That is to say that among the 1 651 projects forming 702 partnerships, districts had evaluated the potential of 662 individual projects, but among those only 77 were awarded grants. Can this be attributed to districts limited ownership in decision-making, limited funds availability or other factors? In any case, this shows critical gaps that need further assessment. Figure 46 gives more details on the project selection process and related rates.

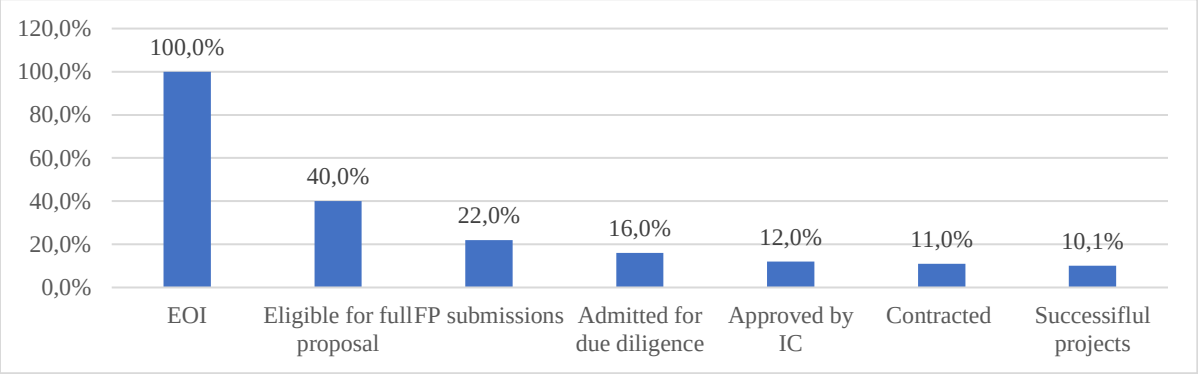

Figure 46: Selection process and project rejection rates for two Calls of LCF

It is important to mention that a total amount of RWF2.6 billion (USD2.6Million) was approved by IC. However, due to two suspended projects (in Rutsiro and Nuyagatare districts), the amount was reduced to RWF2.2 billion with a contribution of 18.2% by the GoR while Enabel contributed 81.8%. Furthermore, the Gakenke district had a bigger share of 33.1% while Rutsiro had the smallest share of 17.8% of the total (LODA 2017 & 2018 & 2019). Table 22 gives more details.

Table 22: Partnership projects budget distribution per districts

District	Call 1	Call 2	TOTAL	Percent
Gakenke	213,000,000	516,051,614	729,051,614	33.1
Gisagara	256,111,878	337,057,030	593,168,908	26.9
Nyagatare	189,048,400	299,235,000	488,283,400	22.2
Rutsiro	178,860,000	213,000,000	391,860,000	17.8
Total (RWF)	837,020,278	1,365,343,644	2,202,363,922	100.0
Total (USD)	837,020	1,365,344	2,202,364	100.0

Source: (LODA&BTC/Enabel LCF Reports 2017, 2018, 2019)

It is important to mention, however, that only 70% of the total budget was used (RWF1,5 billion =USD1,5million) with GoR contributing 23% (RWF3,5 million=USD 3,5million) (GoR, LODA 2020b).

As seen above (6.2.2.2), to a large extent, LCF applies capability approach principles that are in line with LED principles, namely, that improved technology and skills are foundational to sustainable production and business growth. Likewise, as seen above, skills and innovation, as well as technology transfer, are the core of the LED approach where trickle-down effects were envisaged (advanced companies inspiring the weak companies). It was made clear earlier in the thesis that capacity-building, BDS and incubating local businesses is one of the primary function of LED practitioners and policymakers (Cunningham 2016; ILO 2019). With regard to the LCF empirical findings, all companies (100%) confirmed having undergone capacity-building on different topics. In quantifying the data collected from survey and interviews, (1 as covered, 0.5 partially covered or ongoing and 0 as uncovered), the study rated the level of capacity-building in both Calls (C1 & C2) and computed the general progress. In addition, empirical data show that, in total, 13 training topics were presented to beneficiary companies in line with their expressed needs, and were provided in three ways, namely:

- Formal training of the group on specific topics in the form of lectures, group work and plenary sessions;
- On-job training or mentoring in the company's workplace; and
- Peer-learning sessions in the form of study tours among the beneficiaries by visits organised in four LCF districts. Companies in the same value chains could share best practices and challenges encountered to inspire one another.

Since peer learning[131] was equal and common for both Calls, it was omitted and the remaining 12 topics were computed to rate the general coverage in both training and coaching programmes, and for both C1 and C2. The average coverage of topics was 74%, while taxation (25.0%) was the lowest in coverage given its complexity for companies to master tax calculations. Figure 47 below gives more details.

[131] Study tour, exchange of best practices among sister-companies that are supported by LCF

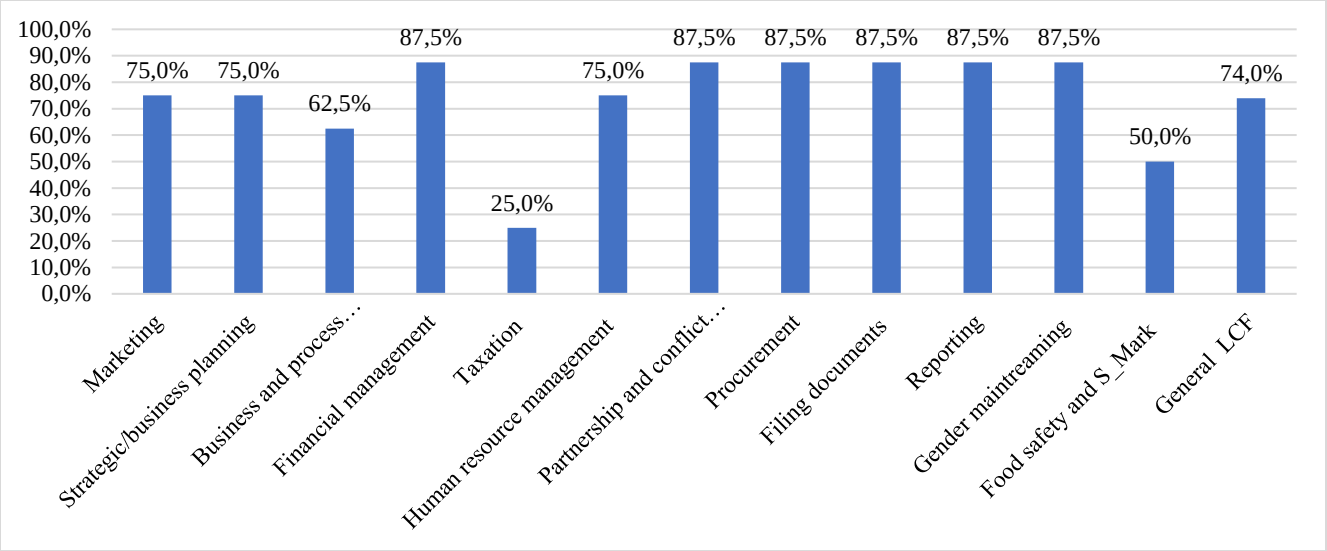

Figure 47: training topics under LCF and progress by December 2019

In that connection, further analysis on capacity-building progress was done per training methods. The empirical findings shown in Figure 48 show that training sessions for C1 companies had largely been completed except for taxation and assurance of safety and standards for a product known as S-Mark, while mentorship for C2 projects turned out to be the lowest due to the time difference between the Calls. Figure 48 compares training and mentoring for both LCF Calls 1 & 2.

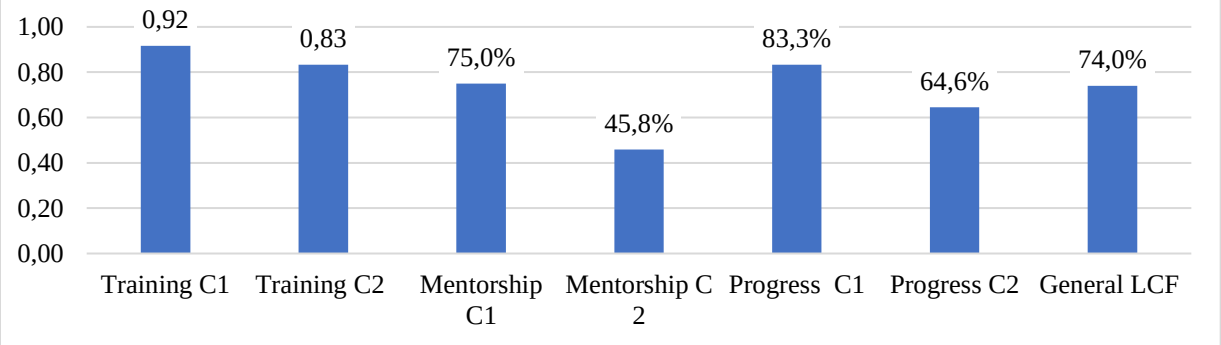

Figure 48: The status of capacity-building progress on training and mentorship for LCF Call 1 and Call 2

The empirical results from beneficiary companies on the success of LCF change factors namely (1) grant/capital acquisition, (2) capacity-building and (3) economic partnerships: the feedback was that 100% appreciated the combination but attributed the success in rates of 50.0%; 25.8% and 24.2% respectively. That is to say that 24.2% of LCF-supported-companies ranked technical

support as the most effective intervention among the LCF components compared to grants and economic partnerships. This is obvious that making training led to improvement in beneficiaries' capacities especially among the informal groups see (see also 6.3.4.2).

6.2.3 How does LCF design align with Rwandan economic policy?

6.2.3.1 LCF convergence and contribution to national LED policy and economic vision

As explained in the background chapter, the LED approach has been progressively adopted alongside the decentralisation policy since 2000. It was also further stated that this approach has commonalities with the current national strategy NST1, especially in its economic pillars of job creation as well as citizens' participation and effective decentralisation of service delivery (GoR, MINECOFIN 2017). In this respect, LCF was introduced as an inclusive funding mechanism to support local business partnerships over the value chain to enhance LED in target districts. LCF prioritises the economic sectors of agro-processing, handcraft, ICT and services as the quick-win sectors in line with the intended programme objectives in the target localities. In addition, LCF aims at funding projects with the potential to create extra job and salaries (especially for social Category 1 of *Ubudehe*), extra income to districts in the form of tax generation and sourcing inputs, all leading to pro-poor and business development and LED impact (GoR, LODA & Eabel 2018). In this section, the researcher assesses the alignment of these LCF characteristics with the national LED policy and other economic strategies to justify its relevance to and alignment with the prevailing national strategy.

As earlier stated, the NST1 (2018-2024) is a Rwandan guiding strategy that addresses the gaps in Vision 2020 and aims at achieving Vision 2050 as the first mid-term programme. While all policies and sector strategies are aligned to this national economic strategy, it is critical to align LCF and show its areas of convergence and its contribution. As said above in Chapters 2 and 4, LCF as a LED instrument has commonalities with NST1 with job creation as the top priority. In addition, the LED approach converges with LCF and LED with regard to poverty reduction, job creation, private sector-led economic growth, making Rwanda locally, regionally, nationally and globally competitive through various complementary policies and strategies (GoR, MINECOFIN 2017). The NST1 came into existence at the right moment when the GoR recognised its critical need for economic transformation to meet local and international needs, namely the production of quality

goods and services for markets, decent employment and job creation as a way of poverty reduction and the quick-win areas for accelerating its economic growth.

As mentioned elsewhere, LCF as an LED practice is multidimensional and this characteristic confers to it a huge potential for poverty reduction and spearheading economic growth. Hence, it can serve as an instrument for several policies and strategies that share aspirations, especially job creation, economic competitiveness, market development and economic growth. Those policies are:

- The national urbanisation policy (GoR, MININFRA 2015) states that infrastructure, skills and investments development, are critically needed for human and economic development. Under economic growth objectives, the policy underlines criticality for employment and non-agricultural jobs creation for the wellbeing of urban citizens (GoR, MININFRA 2015: 40-41). LCF was implemented in the Nyagatare district, one of the six secondary cities, and contributed to job creation and economic transformation throughout supporting 10 partnership projects in agro-processing and handcraft which made a substantial contribution to the objective of the urbanisation policy.
- The aim of the small and medium enterprises (SMEs) development policy is to promote and create favourable conditions for SMEs to take advantage of opportunities at their level (local) and adapt themselves to market conditions. Similarly, the MiR policy aimed at enhancing local market competitiveness and addressing the trade deficit, and recognised issues of MSMEs namely limited human resources issue, barriers of access to finances, the one-size-fits-all approach, regulatory services and poor infrastructure, among other issues. The LCF looks like an appropriate instrument for the implementation of these policies because it aims at promoting competitiveness, creation of new and support existing SMEs for job creation, and increasing taxes and exports (GoR, MINICOM 2010: 6-14 GoR, MINICOM 2016; LODA & BTC 2018). Another policy is the domestic market recapturing strategy which prioritises economic transformation from a subsistence agriculture economy to a knowledge-based society with the goal of reducing the trade deficit (GoR, MINICOM 2015). This aligns well with LCF since agriculture modernisation is required in the agro-processing sector that dominates the LCF projects (52%) as revealed by findings of this study. Though LCF does not fund the primary

sector, but post-harvest and manufacturing support is expected to draw on primary production with the incentive of securing markets and value addition development.

- In the same context, the industrial policy and quality policy of Rwanda established in 2011 and 2018 respectively seek to create competitive industry and quality products that meet market standards, establish an enabling environment for off-farm job creation, domestic production for local consumption as well as promotion for export (GoR, MINICOM 2011; GoR, MINICOM 2018).

LCF, therefore, serves as an instrument for several policies. To illustrate, the research findings revealed that 91.1% of the LCF grant was used for acquiring quality equipment and new technology assets, while 2.4% was invested in acquiring new skills (and the remaining 6.5% was for raw material) that is to say that LCF catered for industrial development, SME development, employment intervention, and MiR products among others. Equally, it is worth noting that the LCF programme shows high convergence with other strategies namely Rwanda Special Economic Zones policy of 2010(SEZs) which seek to provide incentives to businesses, namely land, quality infrastructure for increasing domestic and foreign investments, promotion of exports as well as non-agricultural job creation (GoR, MINICOM 2010: 1-2, Mbonigaba 2019:1-4). To some extent, LCF aligns with this policy even though beneficiary businesses are not concentrated in one zone. It can be asserted that LCF is an SEZ practice in providing incentives to businesses (grant and capacity-building), creation of non-agricultural jobs, namely in sectors of handcraft, tourism and ICT and services, and leveraging domestic private sector investments.

Furthermore, as mentioned, the Rwanda development paradigm mainly rests on agriculture transformation. The PSTA aims at agriculture transformation from a subsistence to a knowledge-based economy, value chain development, modern infrastructure and private-sector investment in agriculture. PSTA targets food security, exports, job creation and poverty reduction, among other aspects. The findings show that LCF fuelled PSTA I's agro-processing since the funded sectors included the top priorities for PSTA which were fisheries (in Rutsiro), piggery, poultry (Gakenke Gisagara and Nyagatare), horticulture (all four districts) for market value addition creation a per the PSTA strategy (GoR 2018a). LCF is thus a very important strategy that is aligned to several Rwandan economic and social development policies. LCF as an instrument of the national LED strategy contributes to the NST1 as it moves towards its Vision 2050. Furthermore, it is important

to mention that areas of commonalities with the above policies are (1) intended poverty reduction impact; (2) competitiveness of the industries; (3) value addition and market development for economic growth; and (4) poverty reduction and job creation (non-agricultural jobs, decent employment).

It is worth mentioning that while giving priority to lower categories of *Ubudehe* (Cat 1 & 2) in terms of job creation and increased inclusiveness for accommodating informal companies in left-behind districts, LCF has featured in the national social protection strategy. Similarly, based on the governance features of LCF, especially the role of districts and stakeholder participation, and selection criteria selection based on districts' priorities and economic opportunities/potentialities, LCF is not only a LED tool but also a typical decentralisation approach. Figure 49 summarises the LCF contribution to national economic policies and vision.

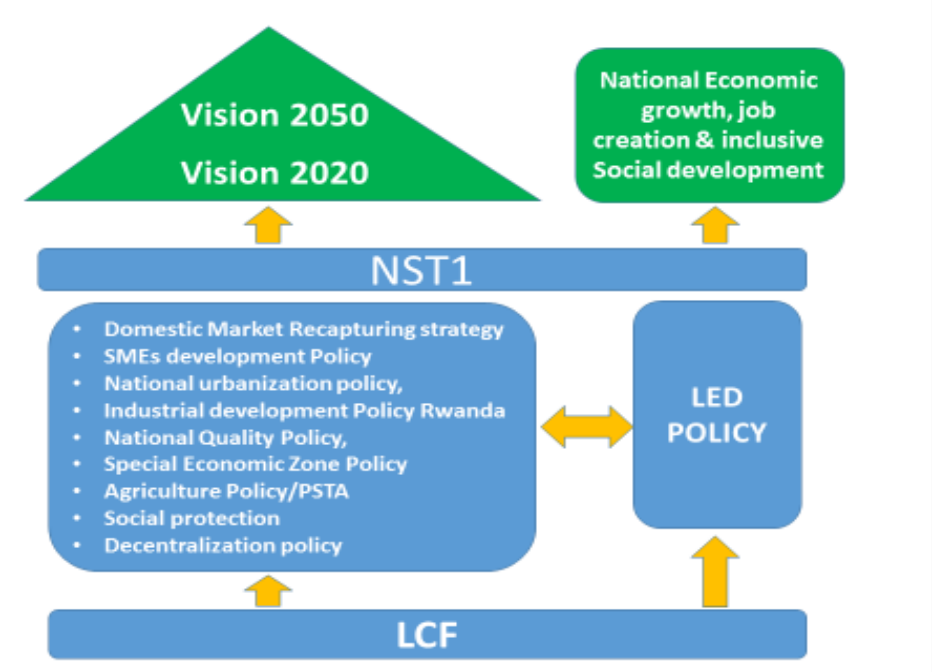

Figure 49: LCF convergence and contribution to national policies

Source: researcher's own 2020

6.2.3.2 Visualising LCF as a grounded LED policy approach

As highlighted earlier above, LCF seeks to create jobs through business partnerships on value chains at the local level. Referring to the LCF project operational manual (2016), the description

of LCF components and structure is based on removing barriers to local business development which hamper LED, first showing the inputs/activities (or correctional measures), and then showing the expected multilevel results of the programme. LCF is a gap-filler programme designed to overcome various barriers to business development in Rwanda which are mainly limited access to finance (capital), lack of business and entrepreneurship skills, and the costs of doing business among other things. In this regard, LCF solutions include three complementary components: a) grant provision; b) technical capacity in the form of formal training, coaching and study tours; and c) business partnerships on value chains. According to the LCF design, a combination of the three components is expected to lead to the aforementioned LED objectives. It should be noted that the main expected changes are: a) at company level (increase productivity, business skills, employment as well as value addition among other positive results); b) employee level (increase skills, number of employees and salaries); and c) locality and district level in the form of extra value (raw materials) and local tax collection. From a theoretical perspective, business expansion and value chain development will create a spillover in the district and enhance its economic competitiveness which will enhance the welfare of the local people according to the growth poles theory of Perroux (1950) in Higgins &Savoie (2017). In so doing, LCF theoretically looks like a typical LED instrument and may lead to inclusive LED and improve quality of life for all (See Figure 27 on LCF structure and LED formula 6.3.6).

To sum up, LCF is an appropriate LED instrument for achieving NTS1 targets and inclusion in the Rwanda LED policy.

- Summary

This section shows that the LCF programme was designed as a participatory mechanism for both the public and private sectors, including applicants, beneficiary companies and donors. Consequently, the organs put in place and the collaborative framework guarantee transparency, joint-decision-making and proper M&E. It is important to mention that the decision-making power was generally greater for LODA (31%), especially in the selection process (12%), compared to districts' 21.4% and 5% respectively. This was similar for other aspects, namely financial management-related decisions. It is important to note that the grant was very competitive with a selection rate of 11.0% among the applicants. Finally, the design features of LCF include socioeconomic inclusion in terms of participation, capacity-building and economic growth tools

thanks to its cross-sectoral and metapolicy characteristics. LCF design incorporates several policy objectives namely agriculture transformation, the MiR policy, SEZs, SMEs and market development policies spearheading job creation, income and growth. Therefore, LCF is undoubtedly an LED policy instrument.

The researcher was also interested in the qualitative findings on the question "What is the uniqueness of LCF compared to other development programmes you have known or worked with?" which supported the above quantitative findings. The consolidated feedback from KIIs and FGDs from four beneficiary districts was as follows: *"(1) Grants to businesses should be different from bank loans; (2) funding the real needs for local businesses which is technology; (3) promotion of businesses competition; (4) Business partnerships over value chain is unique; (5) M&E, training and coaching of businesses was a transformative care to businesses" (4) LCF is supporting districts to implement many policies namely MiR, private sector development, National handcraft policy, industrial development policy and financial inclusion"*

6.2.4 Conclusion on LCF Design and Relevance to Rwanda Economic Policy

This section first introduces the empirical research and then assesses the research objectives. First, the empirical research followed the methodological design for both quantitative and qualitative approaches. The sample comprised LCF-beneficiary companies, companies' employees, KIs and focus group participants. The independent variables related to the demographics of respondents as well as their geographic distribution helped to address the research objectives especially since LCF-supported community members are poor, with the majority from the lower socioeconomic categories.

This led to answering the first research objective seeking to *"Understand and conceptualise the LCF model and show its place and relevance to Rwanda's current LED policy environment"* through the research questions, namely, (1) What are the typical characteristic of LCF-supported-companies? (Addressed in 6.2.1); and (2) What does LCF design look like in comparison to Rwandan economic policy? (Addressed in 6.2.2.).

In line with the related literature, LCF is a pro-poor programme given that its design includes informal companies and given the lower social categories of the final beneficiaries. In addition, LCF is designed to bring change to local communities by offering jobs and incomes using the

abundant supply of local potential. Designed and applying those principles, it is an endogenous approach (see 3.6). Further, LCF design seeks economic growth, local industry development by increasing productivity and technology transfer in a growth poles approach (trickle-down from leading companies to weak companies) which is pro-growth and exogenous. Therefore, it is obvious that LCF is a LED approach.

With regard to economic policy alignment, LCF design is a multi-policy approach with its focus on economic sectors and value chain development in manufacturing, tourism, services and ICT. The key economic sectors are agriculture, MiR, and industrial development which support the NST1 and Vision 2050 for Rwanda.

6.3 FINDINGS ON LCF IMPACT ON LOCAL ECONOMIC DEVELOPMENT IN TARGET DISTRICTS

The second objective of the research was to assess the impact of LCF on LED in target districts. To this end, this section presents the findings on how LCF catalysed growth through industrial development and social welfare thanks to its three change factors namely grants, business partnerships and capacity-building of beneficiary companies. To tackle this research objective, the five research sub-questions (see 1.5): are answered as follows: a) LCF potential for employment generation (see 6.3.1.); b) LCF effect on local enterprises as growth poles (See 6.3.2); c) LCF effects on district growth (see 6.3.3); d) LCF effect on inclusion and pro-poor (see 6.3.4); and e) how LCF improves local people's livelihoods (see 6.3.5). At the end of the section, a summary of key takeaways is provided.

6.3.1 To what Extent is LCF a Catalyser for Employment through Local Enterprises?

The core objectives of the LED approach are business development and job creation which lead to income generation and result in poverty alleviation (Cunningham 2016; GoR, MINALOC 2018; ILO 2019; Rowe 2009; WB 2005). As seen above, one of the great expectations of LCF was the increase in employment since the national strategy is to eradicate persistent poverty, limited job creation and unemployment among other social issues but also to spearhead economic growth (GoR, MINALOC 2018; GoR, NSR 2018). Similarly, underemployment[132] stands at 56% (GoR,

[132] Unemployment: It exists when willing workers cannot find jobs (Johnson 2017)

NSIR 2018: 12, WB 2013). In this subsection, job creation is analysed among the LCF-beneficiary companies contrasting the baseline and the current situation[133] for Call 1 & Call 2. It is therefore important that the study assesses the contribution of employment and wages to the lives of people in the target districts which are rural and poor.

6.3.1.1 Analysis of profile and age of staff among the LCF-supported-companies

As seen in the discussion on demographics, all education levels are found among LCF-supported companies' employees. Most staff have secondary and TVET education (42 %+24%=68 %) followed by literate staff with primary education (24%) then illiterate staff (9%) and lastly 1% of university graduates (See 6.1.2). It is important to recall here that LCF does not fund economic activities in primary production but focuses on the agro-processing and manufacturing sector which require higher-level skills than most farm labourers have. This may justify the predominance of middle-level education qualifications (secondary and TVET at 68%) and literate staff with primary education (24%). The fact that all profiles are found in local companies shows the potential of local companies to make use of the local labour.

Similarly, as seen in section 2.3.3, that the GoR initiated the WDA to enhance TVET education for high competitiveness and employability among the Rwanda populations. LCF-supported companies in local districts may employ a considerable number of the available labour force and meet the Government initiatives (GoR, MINECOFIN 2017; GoR, NISR 2018). Furthermore, structural unemployment is addressed where secondary and TVET students can find appropriate skilled jobs and cyclical and frictional unemployment are addressed for unemployed job seekers who may have lost their employment.

As far as staff age proportions are concerned, employed staff predominantly comprise youth: 60.4% are under 30 years, who make up the majority of the Rwanda population and are in critical need of employment. The Rwanda population consists of 53% in the productive age category of 19 to 64. LCF is thus a great contributor to reducing unemployment given the high numbers of dependents in households (GoR, NISR 2018).

[133] The field research was organised in November 2019

6.3.1.2 Analysis of LCF intervention effect on decent employment and wages in local supported companies

- What jobs were created?

It is clear that LCF partially contributed to national employment targets for both EDPRS 2 (2013-2018) in LCF Call 1 and the current NST1 (2018-2024) in both Calls 1 & 2. It was interesting to know the total number of permanent and temporary jobs created[134]in each Call and then to evaluate the aggregate of both Calls in the four districts. Statistical analysis showed that there were 1 407 newly generated jobs between 2017 and 2019 which is a positive variation of 77% from the baseline of both Calls 1 and 2, with an increase in the number of employees from the lower socioeconomic categories (*Ubudehe* 1 & 2) and women.[135]. Table 23 below gives more details.

Table 23: Job creation among the local supporting industries in target districts

Companies employees	**Call 1**	**Call 2**	**TOTAL**	**Ubudehe 1 & 2**	**Women**
Total # of permanent and Temporary staff (November 2019)	1,945	1,290	3,235	2,119	1,197
Total # of Permanent and temporary staff before LCF (2016 for Call 1 and 2018 for Call 2)	973	855	1,828	1,314	567
Changes with LCF intervention (new jobs created)	972	435	1,407	805	630
Total variation	**1.00**	**0.51**	**0.77**	**0.61**	**1.11**

- What was the variation in wages?

The researcher was also interested to explore the possible effect of the LCF intervention on local supported companies on wage improvement. The findings on supported companies' permanent staff showed a positive effect of the LCF intervention on wages. The effect was calculated by looking at average wage increases before and after the LCF intervention and in both Calls per staff

[134] Why total jobs? According to definition, a permanent job is that one that can last up to 6 months. Yet for seasonal workers, labour could work for a company 2 to 4 months after a certain period and that 2 to three times a year, which is also interesting to count.
[135] For call1: the field research was conducted after one year project was closed while for Call2 they were still using the grant (generally at 2nd Disbursement)

category; i.e., administrative staff, managers, and permanent or temporary workers. The findings showed that generally, 82% of LCF-supported industries had raised their wages for all levels of staff. The increase in wages of the casual/daily workers was very interesting because one LCF objective is to create decent employment for people in *Ubudehe* Categories 1 and 2. Table 24 gives details of wages increase for different staff categories.

Table 24: Findings on evaluation of monthly salaries variation for employees

LCF Call	1. Administrative staff				
	Before LCF (2017 & 2018) (RWF)	**In USD**	**Nov. 2019 (RWF)**	**In USD**	**Variation**
Call 1	37 016	37	79 570	80	1.15
Call 2	49 013	49	65 236	65	0.33
Total	**43 015**	**43**	**72 403**	**72**	**0.68**
2. Managers					
Call 1	42 511	42	80 689	81	0.90
Call 2	37 016	37	95 829	96	1.59
Total	**39 764**	**40**	**88 259**	**88**	**1.22**
3. Daily workers					
Call 1	31 591	31	50 752	51	0.61
Call 2	41 851	42	63 867	64	0.53
Total	**36 721**	**37**	**57 310**	**57**	**0.56**
LCF	**39 833**	**40**	**72 657**	**73**	**0.82**

One of the beneficiaries in LCF Call 1 in Rutsiro district involved in seed multiplication known as FORUM confirmed that *"LCF helped our partnership to boost the business. The 40 million we received allowed us to acquire the new technology we wanted for certified seeds multiplication. We purchased new equipment, extend our plots, and triple our multiplication capacity. We are now supplying high-quality potato seeds to 25,000 farmers in 3 districts of Western provinces, and we are employing 400 staff thanks to LCF".*

- Job security and wage increments under LCF

The above positive variation[136] in wages is very promising (average of 0.56) to increase the purchasing power of the employees (employees majority which is daily workers) (see Table 24). However, job security is equally important to avoid potential cyclical and frictional unemployment. The researcher was interested to assess the level of job security for employees in LCF-beneficiary companies. It has been assessed by looking at the one-year-ahead wages increment plan by the employer (feedback from the companies' management) and by obtaining feedback from employees themselves on their experiences with LCF interventions in the employing companies before and after LCF support. In this regard, the findings revealed that on average, 86% of LCF companies planned to increase wages within one year. Inversely to wages variation in both Calls, Call 1 companies showed higher job security of their employees than Call 2. This might be due to the financial stability and self-reliance of Call 1 companies one year after stopping the grant. Figure 50 below gives more details.

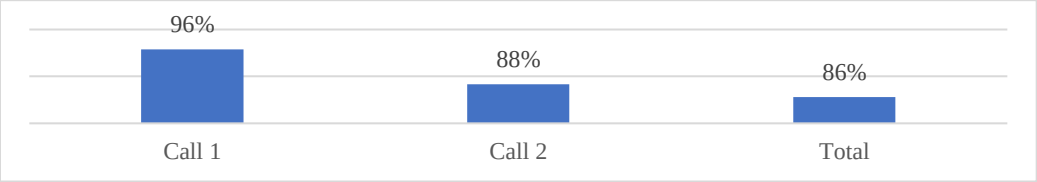

Figure 50: Findings related to an annual plan for wages increase by LCF-supported-companies

- What is the expected increment of wages?

In this study, the researcher was interested in further exploring the idea of decent jobs via a projected increase in wages. The descriptive statistics of the feedback from companies show that, of 129 respondents, 118 companies (91.5%) had planned to increase wages ranging from 0 to 75% from the current one (average for wages increase stands at 16.57%). The findings on wage variations are in line with the expected increases in salaries of the majority staff with a general variation of 0.56 with the LCF intervention.

In addition, he was interested assessing the variation in job patterns (full and part-time) between the two Calls. In the staff questionnaire, employees shared their experiences before and after the

[136] Variation is obtained by calculating the ratio of the net increased value on the baseline value (at the start of LCF)

introduction of the LCF. This assessment was made with present staff at the company on the day of the survey, who were mainly permanent staff. This was made to countercheck the wage variations against the records of the companies which included all temporary and permanent staff who were not necessarily around during the survey. The 101 employees found on the job during the survey were asked about their job security before and after the LCF. The findings revealed a total positive variation of 0.35 among the staff from both Calls from insecure to secure jobs. The following table (25) gives more details.

Table 25: Comparison of variation of job patterns for labour in LCF Call 1 & Call 2

CALL	**Currently with LCF support (2019)**			**Before LCF support**			**Total variation**	
	Full-time job	Part-time job	Total	Full-time	Part-time job	Total	**Full-time job**	**Part-time job**
CALL 1	32	2	34	22	12	34	0.29	-0.29
CALL 2	61	6	67	36	31	67	0.37	-0.37
Total	**93**	**8**	**101**	**58**	**43**	**101**	**0.35**	**-0.35**
Percent	**92.1%**	**7.9%**	**100.0%**	**57.4%**	**42.6%**	**100.0%**		

It is important to mention that the LCF intervention naturally induced an inverse variation that was observed on both Calls 1 & 2 on full and part-time jobs at 0.29 and 0.37 respectively. Increments were obvious and the countercheck indicated an average variation of 0.62 (see 6.3.2). However, the reason for the difference in variation for job security and staff confidence regarding their employment between Call 1 and Call 2 might be attributed to time and experience factors between two categories of beneficiaries. With regard to Call 2, one of the reasons staff showed more confidence than Call 1 could be that most companies in Call 2 are in a boom stage, recruiting, and expanding their industries with the LCF grant (they had used between 40% to 60% at the time of the survey). They had experienced no financial blockages which may result in a greater willingness to increase labour. Inversely, for Call 1 companies, one of the reasons was attributed to the fact that Call 1 companies were experiencing one-year stabilisation (maturity stage) after the grant was stopped which was followed by necessary internal adjustment for *alis volat propriis*[137]*;* that is to

[137] *I*n Latin meant "flying on own wings" found in Merriam-Webster 2019. https://www.merriam-webster.com/dictionary/alis%20volat%20propriis (Accessed 11 December 2019)

say, self-reliance of the beneficiary companies, thing they learn from different training programmes namely the human resource and financial management.

Experience in management and adaptation by the businesses and their impact on employment have been observed in LCF Call 1 companies. Referring to its baseline, mid-term, end-term (end of grants) and ex-post-evaluations (it happened one year after grant), the indicator values on the number of staff changed dramatically between 2017 and 2019. It shows that while using the grant, companies had entered a boom stage with significant improvement in the employment of labour (same stage of Call 2 during the survey). Figure 51 shows the patterns of employment figures.

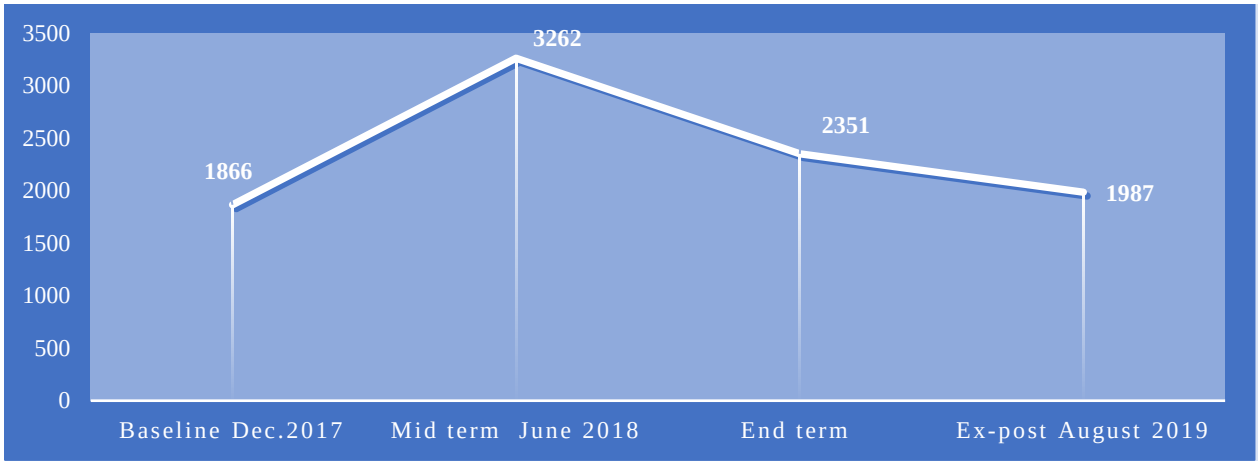

Figure 51: Analysis of employment patterns under LCF Call 1

6.3.1.3 Projection of LCF job creation and contribution to national targets by 2024

The section about the LCF as a job creation industry assesses the extent to which LCF can contribute to national targets.

Considering LCF as (1) a national programme; (2) a national LED policy instrument; and (3) as a contributor to several other national policies and strategies (NST1) towards the Vision 2020 and Vision 2050 (see Figure 49); and based on the above findings on job creation and employment, as well as the existing plan for a progressive national roll-out of LCF, the findings show that LCF has huge potential as a job creator and is a viable LED instrument for Rwanda.

As seen above, this assessment is based on key factors or facts resulting from the experience within two pilot Calls in four districts which were based on some assumptions, namely on the national

rollout progress plan (Call 3 in 8 districts by 2020; Call 4 in 8 districts by 2021; Call 5 in 12 districts by 2022) to cover all 30 districts of the country using the same approach. Moreover, from the experience and facts of the two Calls (1 & 2), two aspects must be factored in while projecting the LCF results for job creation, namely 1 913 new jobs created in four districts in two years by the two Calls (746 +1,167). In addition, there was a potential increment based on willingness and plan by the LCF-beneficiary companies' management to adjust salaries: 0.166 in one year ahead (i.e., 2020). However, the researcher only considered the lowest scenario of management's willingness to increase wages (0.166 or 16.6%). Assuming that the above aspects were done timeously, i.e. (1) the rollout plan; and (2) the agreement to increase wages in the four pilot LCF districts and considering the national plan of creating 214 000 jobs per annum from 2017 and 1 500 000 jobs after the 7-Year GoR programme up to 2024 (GoR, MINECOFIN 2017), the findings show that the LCF can contribute up to 36 488 new jobs which is equivalent to 2.4% of the national targets as per the illustration below in Table 26.

Table 26: Findings related to LCF potential contribution to national targets by 2024

Proposed LCF rollout	LCF share	National (NST1) target	Annual contribution
FY 2017-2018 Call1 (4 districts)	746	214 000	0.3%
FY 2018-2019 /Call 2 (4 districts)	1167	214 000	0.5%
FY 2019-2020/Call 3 (8 districts)	7 970	214 000	3.7%
FY 2020-2021/Call 4 (8 districts)	8 975	214 000	4.2%
FY 2021-2022/Call 5 (12 districts)	12 968	214 000	6.1%
FY2022-2023 LCF (+ 16.6%)	2 153	214 000	1.0%
FY 2023-2024 (+16.6%)	2 510	214 000	1.2%
TOTAL	**36 488**	**1 498 000**	**2.4%**

Figure 52 below summarises the rollout plan and LCF progressive contribution to national targets. It states that the lowest contribution was in pilot phases (FY1 & 2) with 0.3% and 0.5% respectively, while the highest contribution is projected in LCF Call 5 where it will be 6.1%. It is also important to mention that at the end of Call 5, all Rwandan districts will have benefited from a natural increase in employment given the increased production demand in companies (projected at 16.6% annually). The LCF would lead to an average increase of 1 216 jobs in each district by 2024. Figure 52 summarises the potential contribution of LCF to NST1-1 500 000 by 2024.

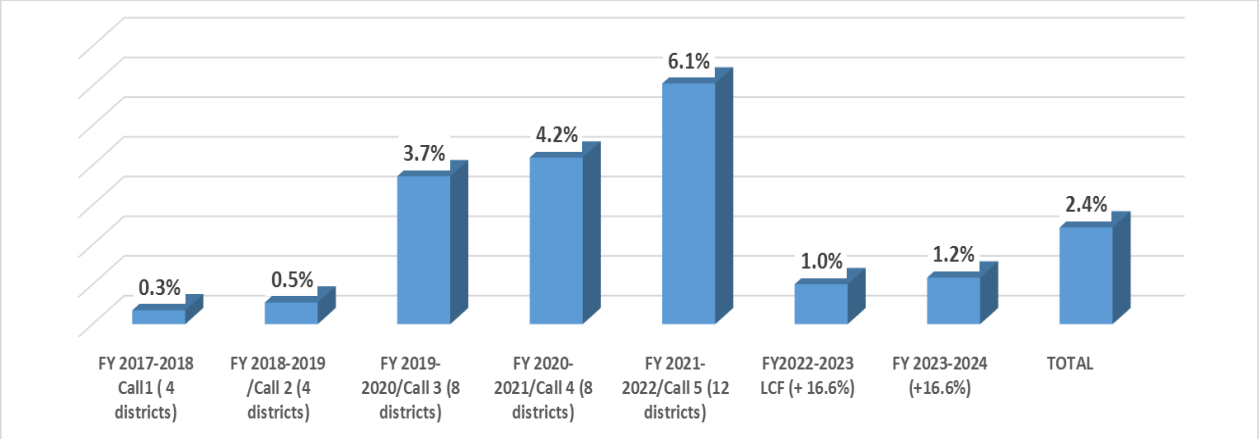

Figure 52: Findings related to LCF potential contribution to NST1 NST1 from the year 2018 to year /2024

It is important to mention that LCF could even be better given that (1) only the worst-case scenario was used in the projection; (2) other market forces namely the political will to enhance job creation by the Government; (3) an increase in TVET schools whose graduated trainees and students can invest in start-up businesses; (4) a general increase in foreign direct investments; and (5) an increase in infrastructure development in districts, among other factors, which may contribute more to LCF and other potential streams for job creation in Rwanda.

6.3.1.4 Summary

This subsection was to answer the question "To what extent does LCF create income and employments through local enterprises?"

It is clear that LCF interventions in the form of grants, businesses partnerships over value chains and capacity-building enhanced employment (77%) in local companies in favour of local residents while also enhancing job security (a 35% increase in full-time employees and a reduction in part-time jobs from 43% to 8%) and inclusion of women and lower socioeconomic categories. LCF may therefore prove to be a robust national programme for job creation once rolled out countrywide with a potential contribution to NST1 (2017-2024) of up to 2.4% of the job creation target.

- Case study 1/ Ethiopia

It is important to mention that similar study findings were found by Berhanu (2014) on the impact of LED on Micro and Small Enterprises (MSEs) in the woodwork value chain in Addis Ababa

(Ethiopia). The research revealed challenges in Addis Ababa in that there was an absence of lead firms, partnerships, learning-by-doing or incremental upgrading. MSEs were expected to increase local employment and LED through the value chain from sourcing of inputs to production and marketing, but the LED design and value chain configuration limited the effectiveness and market competitiveness that required critical support.

- Case study 2/ Pakistan

Similarly, a study on the impact of SMEs on employment in the textile industry over a period of 5 years (2006/7-2012/3) conducted in Sindh in Pakistan by Munir (2013), revealed the critical role of SMEs as a major source of job creation and exports for Pakistan despite minimal support by the government and other challenges of limited financial and intellectual capital, infrastructure and security issues that hamstrung the sector, making it less competitive than equivalent Chinese or Indian industries.

6.3.2 How LCF Spearheads Development of Local Enterprises as the Growth Poles

LCF was intended to be a solution to the challenges of access to finance for local industries, the lack of synergy which has a negative impact on business costs as well as limited skills that made local businesses less competitive in local and regional markets as these are common issues emphasised in different policies and strategies of Rwanda (6.2.3.1).

To illustrate, with regard to limited capital, the baseline report of LCF conducted by LODA and BTC in December 2017 revealed the criticality of access to enough working capital for local enterprises in Rwanda. Of the 30 districts in Rwanda, eight districts were sampled and the findings revealed that almost half of companies (47%) are in the lowest range of working capital[138](between USD 1 200- USD 6,000) which factor is in the spiral of poor performance of the business sector in Rwanda. The following figure gives details.

[138] Working capital meant the value of the businesses (Exchange rate 832.8RWF/1USD)

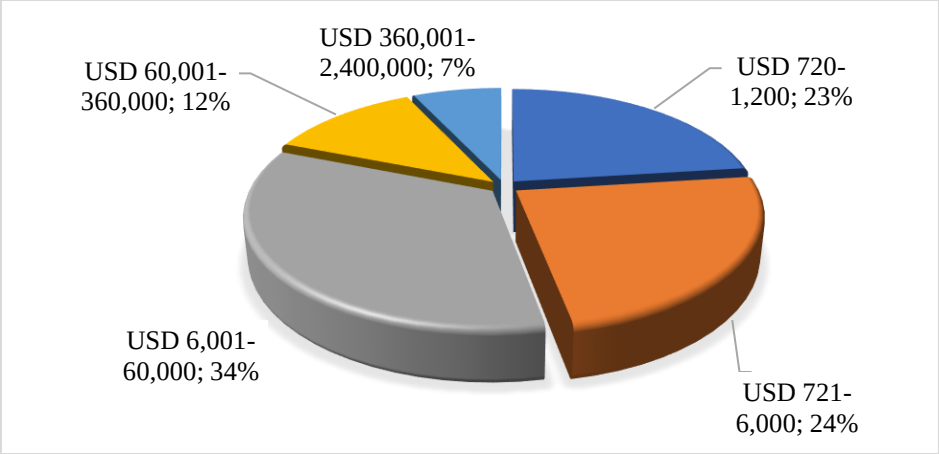

Figure 53: Working capital ranges among the local enterprises

Source: (LODA & BTC 2017a)

That is why LCF design was intended to provide grants through two funding windows depending on the size of the businesses (see 6.2.1.3). The findings revealed that a grant was a critical need for local businesses since 91.1% of the LCF-beneficiary businesses used it for acquiring quality equipment and new technology for production: this was in line with several Rwandan policies and strategies. It was revealed that the shortage of working capital was a serious hindrance to business development and job creation (GoR, MINECOFIN 2017; WB 2017). In addition to working capital, LCF also addressed the issue of synergy and technical skills by enhancing business partnerships over value chains, and technical training and coaching as one of the conditions for funding recipient companies. That is to say that LCF change factors aligned with the key traditional factors of LED impact which are: (1) human resources; (2) finance and capital; (3) infrastructure; and (4) skills and technology. In the next section, the researcher analysed the impact brought about by the LCF inputs (GoR, LODA 2017).

6.3.2.1 The configuration of LCF as a growth-pole paradigm

As seen in the previous section, LCF was expected to play a catalytic role in LED through providing grants, economic partnerships and training. This section seeks to pragmatically evaluate to what extent LCF is a LED pro-growth approach leading to industrial development and the production of good and services, improved technology as well as development of market links for economic growth which aligns with the growth poles model of Perroux. As seen earlier, in Chapter

3, growth poles seek economic growth and job creation, and hence, the reduction of inequalities of depressed areas (localities) (or districts in our context).

- Growth poles configuration

According to empirical research and secondary data on LCF implementation, in terms of the growth poles theory, the growth poles consisted of 193 supported industries that were able to access production factors namely financial capital, capital equipment and technical staff, depending on the expressed needs of the four pilot districts also considered as depressed geographic localities (See 6.1.2). Among those were 75 propulsive units or industries[139] which were the applicants, formal and advanced companies, and propelled areas or linked industries comprising 118 companies which are generally weak; i.e., formal or informal companies in economic partnerships with the propulsive units as per LCF design. The research findings revealed that the agro-processing sector dominated the funded sectors (50.8%) while ICT was minutely represented at 1.6%. This explains that the Rwandan development paradigm rests on agriculture transformation (GoR, MINECOFIN 2017). In further analysis, it was interesting to know the proportion of leading companies (propulsive units) per economic sector. The findings revealed that of all supported companies, the propulsive industries comprised 39.4% while the rest were propelled areas made up of linked and weak industries. That is to say that 39.4% of industries managed the value chain and related technological changes while linked industries benefited from the trickle-down of good practices for their growth. This accords with the growth poles approach of Perroux, the modernisation postulates of Rostov and exogenous theories in general (see Chapter 3).

As said earlier, LCF impact is generated from the concentration of industries (firms or enterprises), technology, information and knowledge as per LCF design that aligns with the Perrouxian model. To this end, propulsive units should generate impact in propelled areas so that in tandem, they attain the intended LED results, namely job creation, income to local residents, and increases in district revenues among other benefits (GoR, LODA & BTC 2016; Plummer& Taylor 2001). The empirical findings show that LCF had the desired LED impact with 75 propulsive units in

[139] All funded beneficiaries were 77 partnership projects totalling 199 individual businesses. However, because of compliance issues, the study population considered was 75 partnerships totalling 193 individual businesses that will return to 71 and 167 respectively by June 2020 because of the same issues (GoR, LODA 2020).

propelled areas (with 118 partner companies) thanks to downstream and upstream linkages in the value chain. It is important to recall however that, the LED impact is measured in both areas (propulsive and propelled areas levels) and their surroundings (multiplier effects). It is important to also mention that the same findings have shown that the services sector and distribution had no propulsive units which means that these are found within the four remaining economic sectors and the partner companies tend to offer these services. This again shows the suitability of LCF and its relevance to national LED policy, NST1 and PSTA among other policies. Local development priorities through DDS were related to local economic opportunities (LED potentialities or factor endowments). This aligns with Rwanda's economic aspirations to become a knowledge-based and private-sector-based economy with a particular emphasis on modernising the agricultural industry and increasing its share of local and international markets. Figure 54 gives more details on the distribution of supported companies and propulsive units.

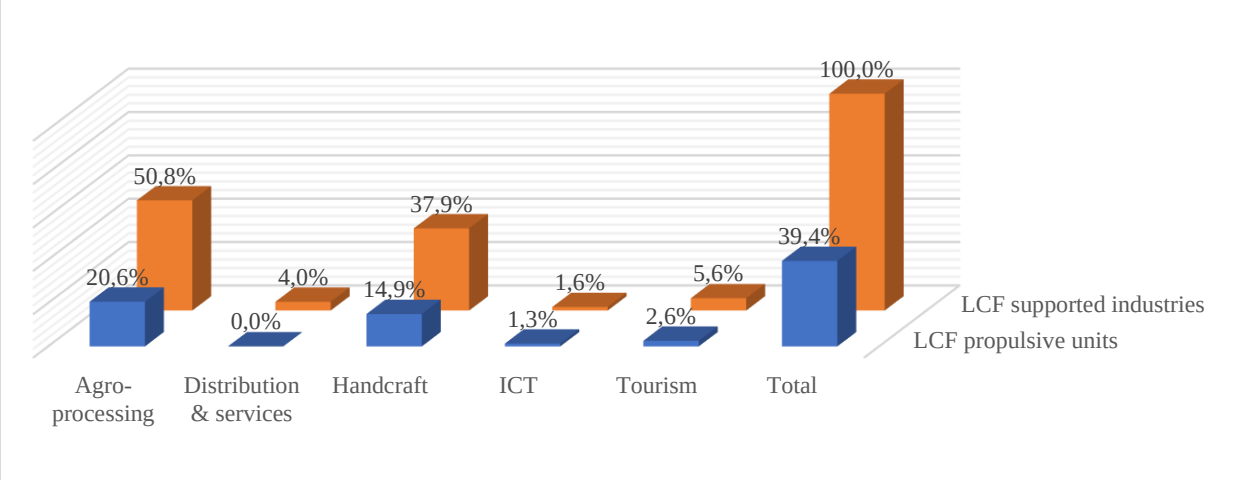

Figure 54: LCF companies and distribution of propulsive units over economic sectors

Earlier, the researcher assessed the potential contribution of LCF to national targets in terms of job creation up to 2024 which is projected at 2.4% (see 6.3.1.3). Likewise, it is important to link supported industries, particularly the propulsive industries, with NST1 targets by 2024 to assess LCF readiness and its potential contribution. Based on Figure 54, handcraft and agro-processing comprise the highest number of propulsive units (34.9% i.e., 20.6%+14.9%) and 88.7% (50.8%+37.9%) of all propelled companies are in the same industrial sectors. In contrast, the remaining LCF-supported propulsive units (3.9%) against the total remaining companies (11.3%) are concentrated in services (ICT, transport and tourism). As mentioned earlier, LCF does not

directly fund the primary production sector but provides markets and value-added services (see 6.2.3.1). Figure 55 compares propulsive and propelled areas industries over economic sectors.

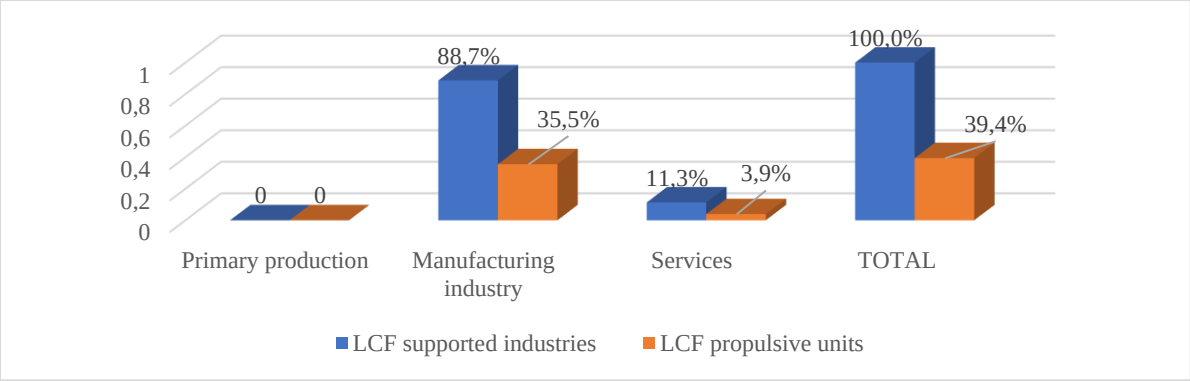

Figure 55: LCF-supported-companies' configuration on economic sectors

Thus, it can be said that LCF-beneficiary companies contribute to national economic expectations. The sector's contribution to GDP is expected to be as follows: industry 13.0%, services 9.3% and agriculture 5.7% (GoR, MINECOFIN 2018: 25 and GoR, MINECOFIN 2017). It is clear to the researcher that LCF-funded growth poles industries and their distribution align with national expectations in their order of importance[140]. Below is an additional analysis of LCF's impact on the development of local enterprises through value chains.

6.3.2.2 Impact of LCF on innovation, value chains and market development

As mentioned earlier, the LED approach is about addressing the market failure and spearheading the competitiveness of local companies (Cunningham 2016; ILO 2019). Likewise, Rwandan economic policy aims to spearhead market competitiveness by 'MiR' products that meet quality standards (see 6.2.3.1).

- Assessing the impact of the LCF intervention on value chain development

As seen above, most LCF-supported industries (91.1%) invested the grants in new technology and equipment. Therefore, the study seeks to assess the effect of LCF on value chain development

[140] The research findings from Key informants especially policymakers and district officials confirmed expectations on LCF contributions to local growth and transformation of local enterprises thanks to technology and innovation as well as skills development (Survey November 2019).

based on the number of new products and services delivered to customers which were not available before the LCF intervention.

Thanks to LCF, improved technologies were acquired. The empirical findings revealed that since LCF support, the supported companies in Call 1 and Call 2 had added 214 new products and services (C1 110 and C2 104) at the time of the survey. The LCF baseline reports for Call 1 and Call 2 identified 221 products and services in Call 1 and 183 in Call 2, totalling 404 products and services. It is important to note that the same findings revealed that 100% of Call 1 companies improved their processes and added products against 89.1% of the Call 2. Table 27 gives more details on new added products and services (LODA and BTC 2017b & LODA and BTC 2018c).

Table 27: Findings of LCF contribution to the local market development and mad in Rwanda products

Calls	Baseline	Average # product/services per company(before LCF)	Nov-19	TOTAL	Average # product/services per company (with LCF)
Call1	221	2.4	110	331	3.5
call2	183	1.8	104	287	3.1
Total	**404**	**2.1**	**214**	**618**	**3.2**

Figure 56 summarises the findings of LCF contribution on products on the local market in the project area.

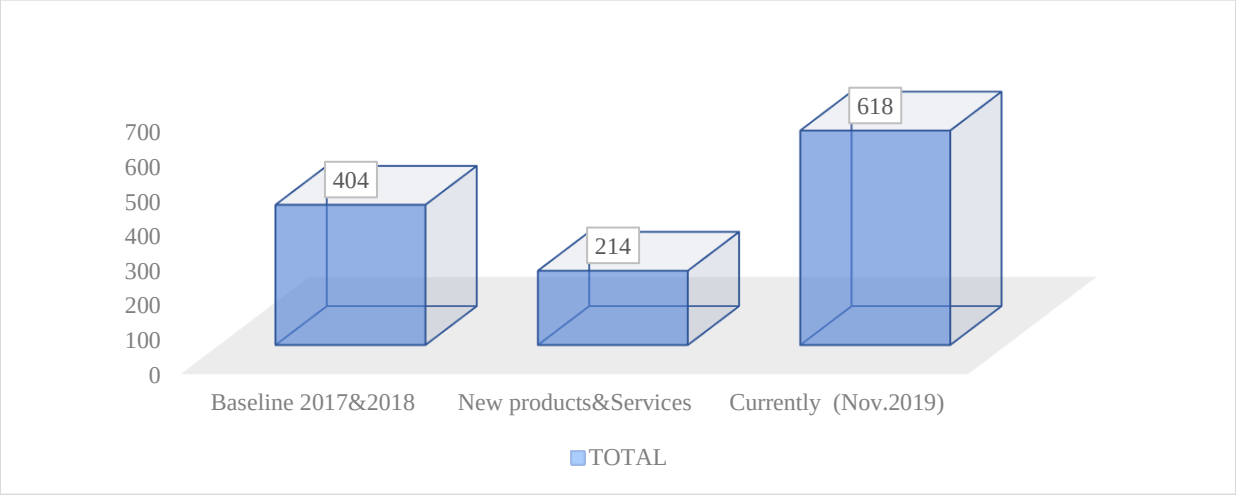

Figure 56: LCF contribution for new products on the local market in the project area

It is important, however, to note that the slight difference in contribution between LCF Call 1 and Call 2 new products: 110 and 104 =214) and (Percent of companies: 100% and 89.1%) respectively can be attributed to the time difference and experience factors. Call 1 companies received their grant in 2017/2018 and had exhausted it more than one year ago (at the time of the survey) while Call 2 companies are still using the grant and still have to complete their plans which means that more new products and services are to be created and added. Furthermore, it is important to mention that LCF-supported companies significantly contributed to enhancing MiR and local market competitiveness by supplying 618 products and services (with 214 newly added with LCF), to the local market. Products are expected to increase since 99% of the companies confirmed their plans to increase production in the year ahead and diversify products or improve the quality of existing products and services on the market (in the year 2020), while 1% of companies (exclusively found in Call 2 partner companies) were not expecting to increase their production and service in the same period. This is a notable change brought about by LCF intervention.

- Comparison between Call 1 and Call 2

According to Table 27, there is a slight difference between Call 1 (higher) and Call 2 (lower) contributions to marketable products and services: 110 and 104 companies under Call 1 and Call 2 respectively, which represent an average number of products per company of 2.4 (more than 2) and 1.8 (almost 2) for Call 1 and Call 2 respectively. This difference is attributed to time differences and grant effect as well as business management experience between the two Calls. Call 1 companies had more training including programmes on marketing strategy and process management which was not the case for Call 2 companies which were halfway through the training and use of the LCF grant at the time of the survey (November 2019).

- Assessing the impact of LCF intervention on market development

In addition to the locally made products and services, the study was also interested to know the number of new selling points or markets gained with the support of the LCF through improved production technology for increased production quantity and quality as well as the effect of marketing-related capacity-building. In general, the findings revealed a significant improvement in market development among LCF-supported-companies. Comparing the LCF, both baseline reports (GoR, LODA & BTC 2017b and GoR, LODA & BTC 2018d) and the research findings

(November 2019), the proportion of companies that invest in marketing activities increased from 59.2% to 75.3% and though Call 1 shows a higher proportion, Call 2 has made great progress. Figure 57 below gives more details.

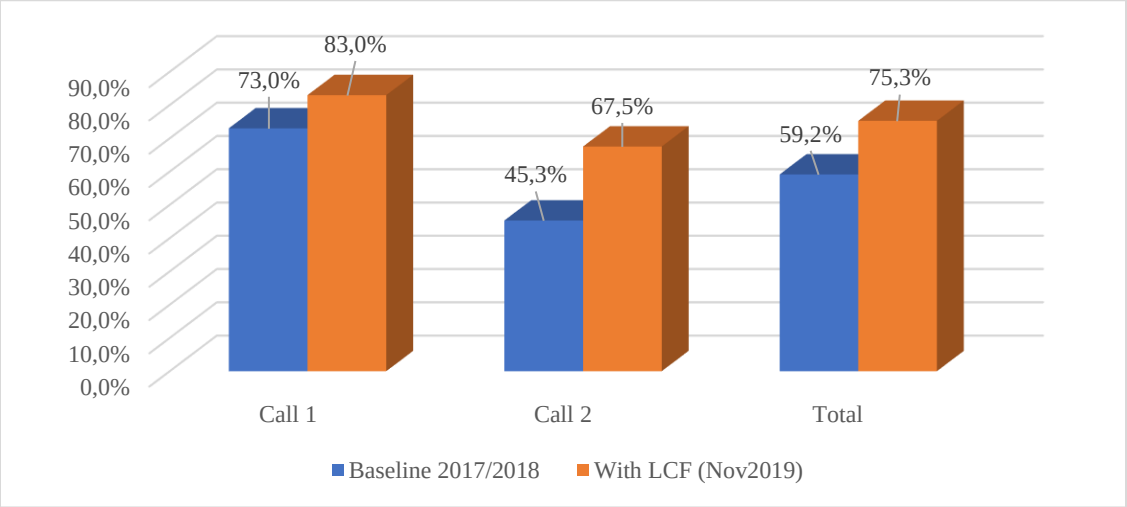

Figure 57: Improvement in market developments dues to the LCF

In addition, the findings revealed that the marketing efforts bore fruit for both Calls: Since the support of LCF (C1 since 2018) and (C2 since 2019), 59.9% and 51.9 % of beneficiary companies had developed a new selling point. In addition, generally before and after LCF intervention, the findings show that 71.2% of the companies had one to two unique selling points while 7.6% had more than five markets. The following figure gives more details.

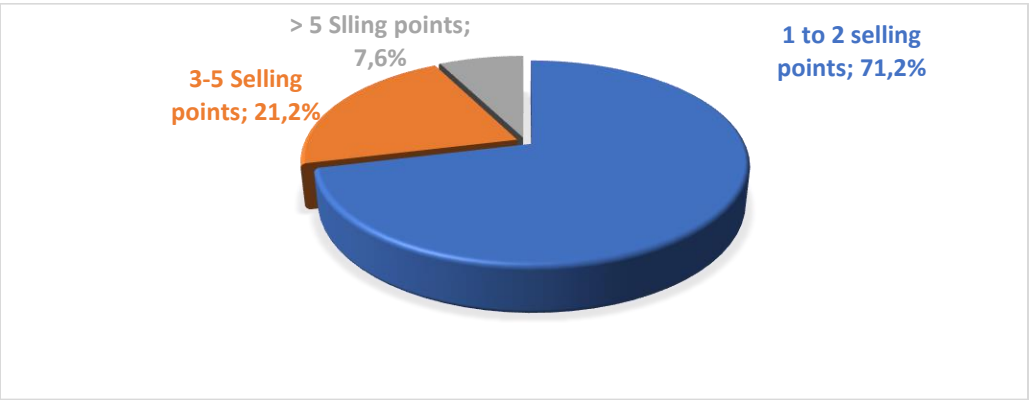

Figure 58: Market expansion for Call 1 and Call 2 companies

The follow-up evaluation report of LCF Call1 in December 2019 revealed that 87% of LCF Call 1 companies have either formal or informal contracts to deliver their products to market (GoR, LODA & Enabel 2019c).

The researcher was also interested in depicting the marketing strategies used. The findings show that companies combine different approaches to get the market for their products and services but generally use signboards at their workplaces and sales sites (24.7%), a word-of-mouth house-to-house approach (21.7%) followed by public media and online newsletters/social media platforms (21.7%) while about 1,2% use exhibition organised at district, provincial or national level (in Kigali city). It is worth noting that beneficiaries confirmed that training on marketing helped to improve their marketing strategies hence deliver more to their clients. Figure 59 shows details.

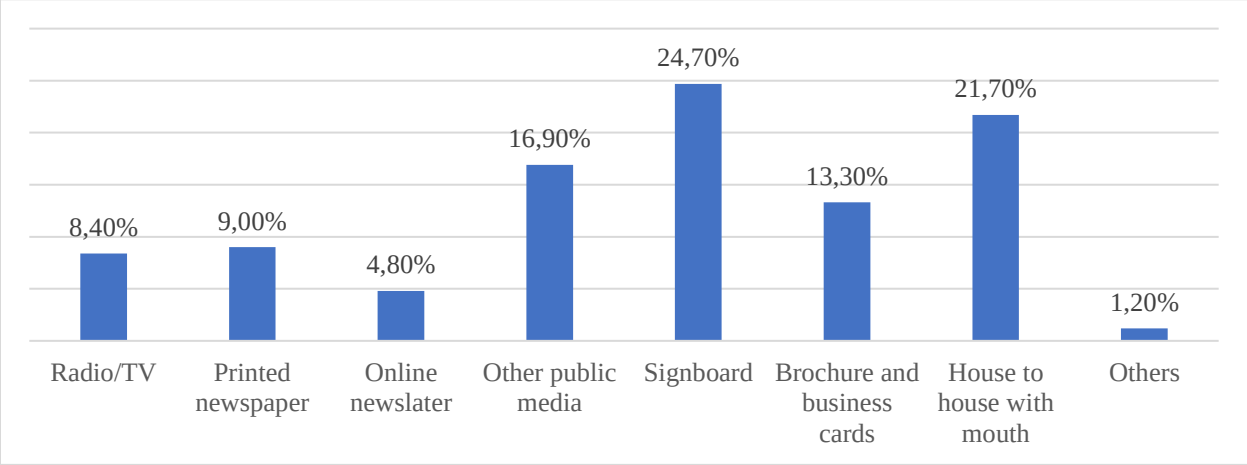

Figure 59: Marketing approaches used by LCF-beneficiary companies

It is also important to assess to what extent propulsive units and propelled areas share the markets among the LCF-supported companies. The findings show that though propulsive units make up 39.4% of the partnerships, they inversely have a market share of 55.1% against 44.9% of the remaining partner companies. This again confirms that the propulsive units dominate the LED processes and changes under LCF. Figure 60 shows more details.

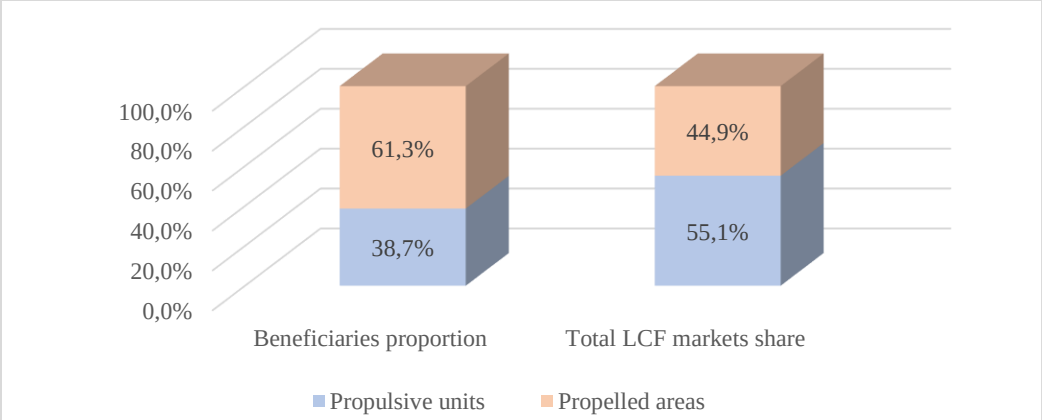

Figure 60: Distribution of market share of LCF-beneficiary companies over propulsive and propelled area industries

It is important to mention that more focus on capacity-building has been put on propulsive units who are meant to lead the changes and disseminate the performance in propelled areas; i.e to provide technical support Applicants draft their business plans and marketing strategies in detail, while partner companies only receive training on these and can receive technical support on demand.

6.3.2.3 Growth poles spiral over effects and openness to global value chain

As seen earlier, a characteristic LCF is to connect businesses for economic benefits, economies of scales and reduction in costs of doing business (GoR, LODA & CTB 2017 bis). Furthermore, the study has shown that 75 propulsive industries were connected to 118 small production units (propelled areas) through up and downstream linkages as per the Perrouxian growth poles model. As per the Perrouxian model, the growth-pole development is a continuous process, because firms grow and expand to other propelled areas which has an impact on the LED. The subsection seeks to assess the importance of economic partnerships and their distribution over districts, the importance of connectivity between firms as growth poles as well as the geographic configuration of those growth poles in and out of the LCF scope of intervention.

- Importance and distribution of economic partnerships

The study was interested in finding out about additional economic partnerships that LCF-supported-companies entered into to enhance their economic activities. In this regard, the empirical research revealed that in addition to LCF partnership, the number of Call 1 companies

engage in more partnerships (87.2%) than Call 2 companies (80.5%) which totalled 478 economic partnerships in the four LCF pilot districts (296 for Call 1 + 218 for Call 2). The results-variation between two Calls can be explained by time and experience differences. With regard to distribution over districts, Gisagara had a bigger share of supported companies (235 =48.3%) while Rutsiro had the smallest number of supported companies (48 = 9.9%). Figure 61 shows the distribution of partnerships over districts.

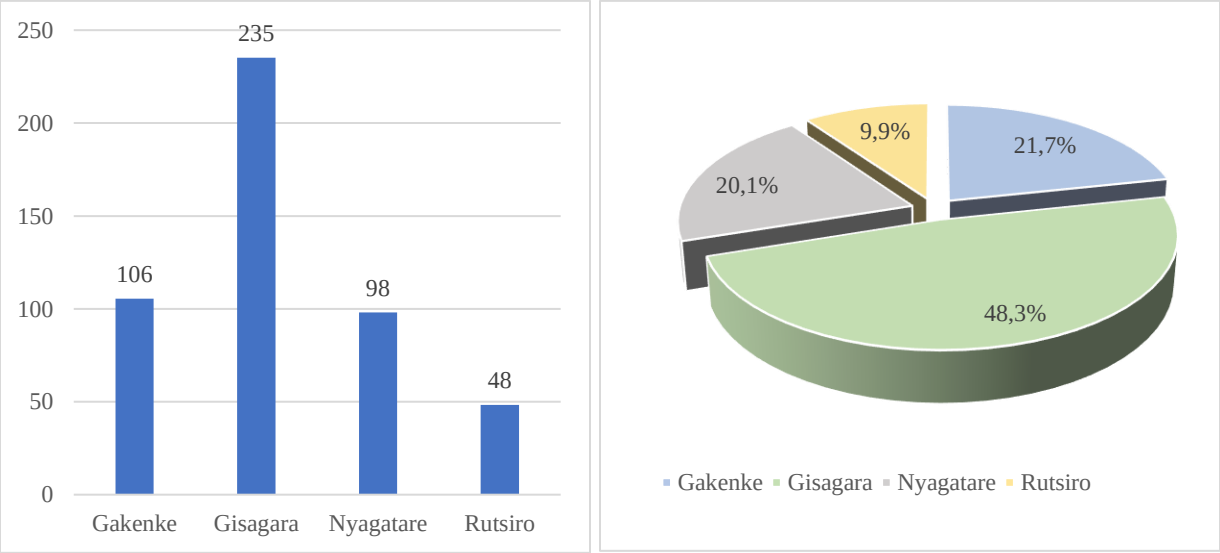

Figure 61: Findings on the distribution of economic partnerships formed by LCF-supported-companies by districts

It seems that LED impact might be created in districts with more companies.

- Assessment of breath /expansion of the growth pole

The study was also interested in exploring LCF-supported industries' connectivity to other businesses to assess the impact of an LCF-supported-company as a "growth pole" in its locality. In this regard, the research revealed that the two most rural districts Rutsiro and Gakenke were the weakest in terms of the average number of economic partnerships for each LCF-supported-company with 1.7 = 2 and 1.9 = 2 respectively. Inversely, urban and semi-urban districts namely Nyagatare and Gisagara had a bigger average number of firms in partnerships with 3.10 = 3 and 4.5 = 4 respectively (Figure 62).

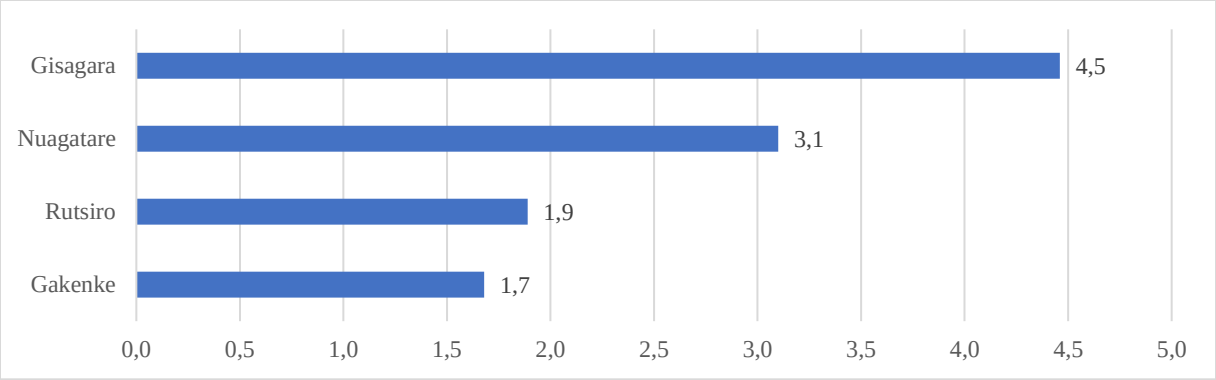

Figure 62: Findings related to comparison of growth poles breadth in business networks in pilot districts

It is important to mention that the greater connectivity of LCF-beneficiary companies could be attributed to the fact that, according to the LED strategy of Gisagara, it has cross-border business and trading opportunities with Burundi, and nearby markets within 10 km of Huye Secondary City, Nyaruguru, and Nyanza City (Gisagara District 2017). As for Nyagatare, it is a secondary city to Kigali (albeit rural and far from Kigali) and has cross-border trade with Uganda (Nyagatare District 2017).

- Growth poles configuration in and out of LCF scope

It was also interesting to assess how LCF-supported companies' economic partnerships are configured geographically. This shows another feature of growth poles and the potential LED impact they have at different levels. The findings showed that of LCF-supported-companies, 67% of the economic partnerships had influence in the same sector and neighbouring sectors (in the same district), while only 1% had economic partnerships outside Rwanda which were mainly for market (export) or purchases of equipment/technology.

This shows that LCF-supported companies are closely connected locally, which means that they can exploit local opportunities, create jobs and produce locally for the local market, which is, in essence, the intention of LED. The following figure shows the regional pattern of economic partnerships under LCF-supported-companies.

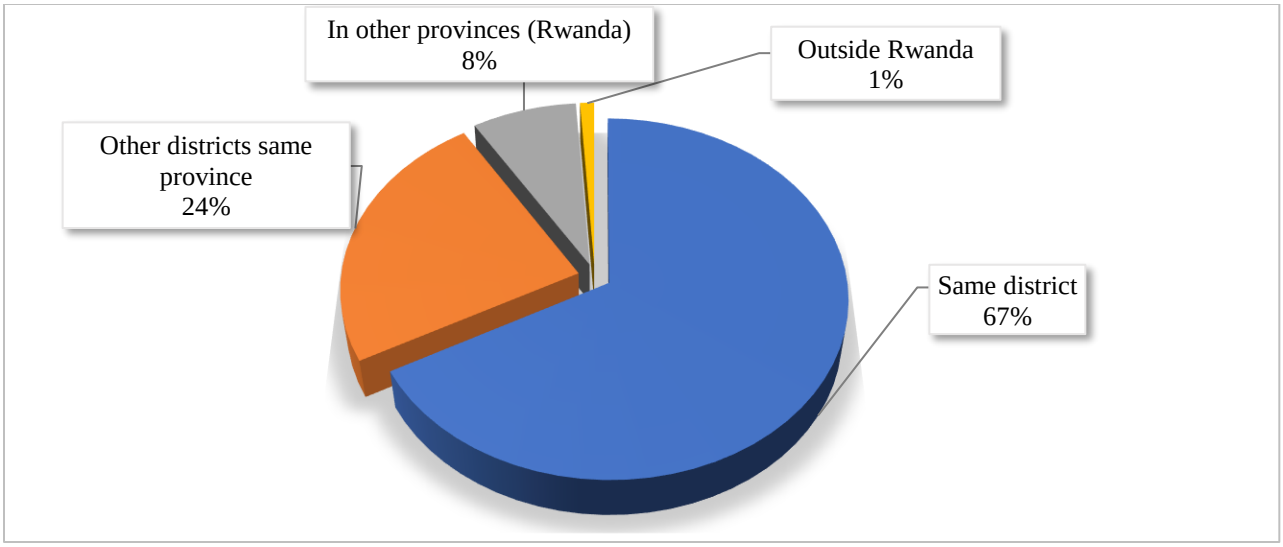

Figure 63: LCF-supported companies' economic partnership regional patterns

The LCF intervention in economically depressed districts (among the poorest of Rwanda) can thus be regarded as relevant as it has spearheaded economic partnerships that generate LED results in terms of employment, income generation and value chain development. It is important, however, to mention that 8% and 1% of national level and international trade respectively shows that LCF intervention intent is essential for localities (target districts) and for the local population in terms of job creation and production for local markets. Tailored to other national policies (see above 6.2.4.1), LCF could be an integral component of the SME development policy, MiR policy, industrial policy and agriculture policy through PSTA in that it emphasises local market competitiveness rather than targeting regional and international markets which would be the focus of SEZs and other industries with a wider scope. OECD (2019) and ILO (2005) stated that the LED approach entices local enterprises to enter or participate in the global value chain by enhancing local competitiveness to realise the benefits of globalisation. The low global connectivity (in trade exchange) means that the local working economy " meets local demand " as per the national policy because MSMEs are expected first to become competitive in the local market before entering the regional and global market. Similarly, the evidence shows a huge opportunity for local businesses in terms of accessing domestic markets for progressive scalability at the regional and global levels (GoR, MINICOM 2016; GoR, MINECOFIN 2017; GoR, MINICOM 2017).

6.3.2.4 Findings related to LCF impact local business productivity and performances

So far, an analysis has been made of the impact of the LCF intervention[141] on employment and value chain development. This subsection shows what value chains and development of growth poles have brought to local MSMEs in target districts in terms of growth and business performance[142]. As seen in LCF BDS (6.3.2.1), the aim was to bring transformation in technical and organisational know-how to businesses process, but also to develop a business mindset to exploit entrepreneurial ideas. This can be seen in the wide range of training packages provided to the beneficiary companies. In this part of the research, the researcher is interested in exploring change in growth brought about by the LCF looking at particular indicators namely the value of the business, growth sales turnover and net profit out of the business operations.

- Value of business or capital

The value of a business is based on its value in financial terms of business capital (liabilities and assets). By considering the value of the equipment added to cash (Bank and cash at hand as well as liabilities), the findings revealed that the average business value of Call 1 companies (RFW 50million= USD50 thousand) is bigger than for Call 2 companies (RWF 39million= USD39 thousand). Likewise, the findings show that Call 1 companies have a higher proportion of companies with a business value average above RWF 50m (33%) against 18% in Call 2. This difference between Call 1 and Call 2 companies *ceteris paribus* can be attributed to time differences. Comparatively, the Call 1 beneficiaries had experienced a longer-term effect of the grant and BDS (since 2017) compared to Call 2 companies (in 2018) which had not exhausted the grant up to the time of the survey. This is obvious and clear to the researcher that the time over which the grant is used has a financial impact on business. Table 28 below gives more details as of November 2019.

[141] Grant-Capacity building and Business partnerships ad ingredient for LCF recipe to local enterprises

[142] According to Haibo and De Wit (2009: 1-12), the business growth and performance are an outcome of many processes with three main determinants namely (1) individual meant entrepreneur quality expressed by his positioning, beliefs and capacities, background and effort for the business, (2) organizational determinants are enterprises particular attributes and capacities, strategies, use of its human and financial resources, organisation and operations quality, among others factors, then (3) environmental determinants meant challenges and opportunities of the heterogeneous and complex (sometimes hostile) environment for market and competition.

Table 28: Average business value for LCF-supported enterprises

Call	Average value of the business (RWF)[143]	Distribution of companies over the range of business values			
		500K to 5M	5M to 20M	20M to 50M	Above 50M
Call 1	50 732 872	14%	29%	24%	33%
Call 2	39 189 680	28%	27%	27%	18%
Total	**44 961 276**	**21%**	**28%**	**26%**	**26%**

Though findings showed good progress thanks to the use of the grants, the value of the business does not tell much about whether effective change happened. To track this, the baseline value for LCF Call 1 companies see (6.3.2) was referred to and contrasted with the result of Call 1 data in Table 28 to cater for differences.

The findings show that businesses with a business value > RWF 50 million (USD50,000) and those with the lowest business value of < RWF 5 million (USD5,000) inversely increased in value. This is a sign of financial graduation of local companies especially micro-businesses that increased their working capital to about double-fold in business value; that is to say, that the grant increased the value of the business in terms of capital equipment. Beneficiaries also explained that generated income was reinvested to increase the value of the business. Figure 64 shows the increase in value.

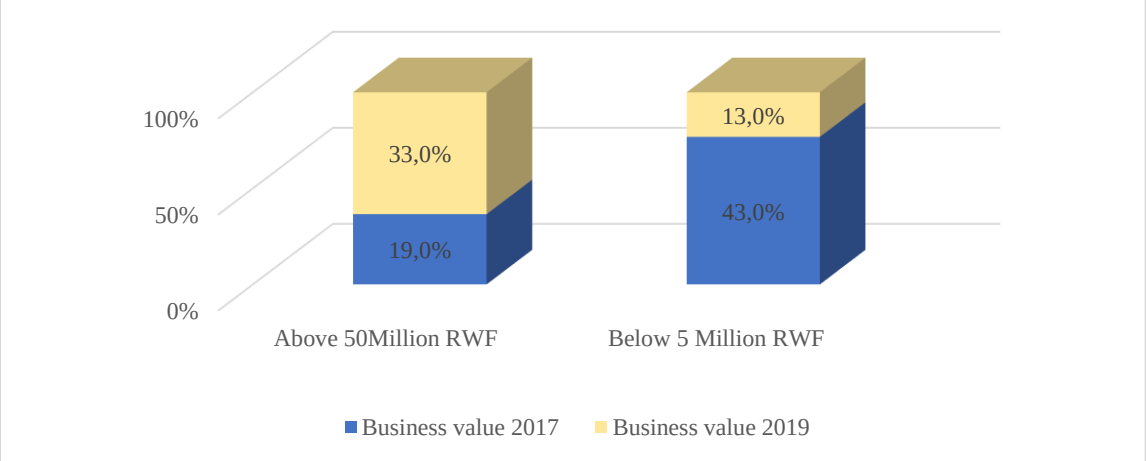

Figure 64: Call 1 companies' increases in business value from 2017 to 2019

[143] Rate (1RWF= USD 0.0010)

- Assessing business turnover and profit

The increase in value of the businesses would not fully explain the business growth. It was also therefore deemed important to assess the number of companies that realised a profit (positive results) and how turnover increased. In this regard, empirical findings showed that in total, there was a positive variation of 10% in the number of companies that recorded a profit after receiving the LCF grant. Figure 65 shows details and compared both Calls:

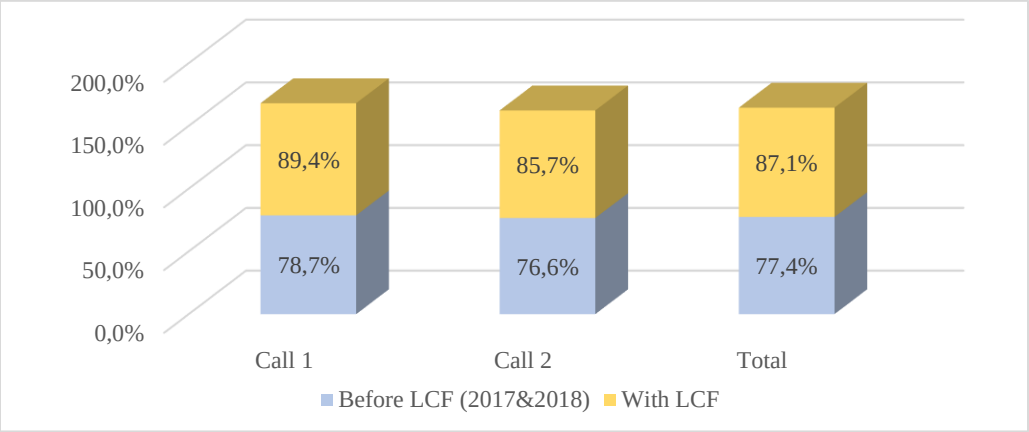

Figure 65: Analysis of the effect of LCF on business profit

The findings thus revealed that, in general, the net profit of most supported companies increased for both Call 1 and Call 2 companies thanks to the support of LCF. Similarly, Call 1 companies show a higher average profit compared to Call 2 due to the time difference in receiving and using the grant. Table 29 gives more details.

Table 29: Increase in profits of LCF companies before and after LCF

Call	Before LCF (RWF)	With LCF (November 2019) in RWF	Variation in profit
Call 1	901 664	2 664 348	1.9
Call 2	1 374 365	2 088 186	0.5
Average	**1 138 015**	**2 376 267**	**1.1**

NB: Rate (1RWF= USD 0.0010)

It was also interesting to see how companies performed before and after receiving LCF support. The findings (Figure 66) revealed that in both Calls, companies declared making a profit of between 0 (break-even) to RWF 25 million (USD25,000). It appears that a large number made

between 500K – RWF 2 million (USD 0.5 to USD 2,000) shifting from 38% to 46%. Likewise, companies with the highest profit (>RWF 5 million = USD 5,000) increased the most in proportion from 3% to 13%. This confirms that the propulsive units or leading companies gain the most in partnership, due to their ability to invest in advanced technologies and innovation and their access to working capital. It appears as in classical economics that the stronger party takes the lion's share (See Chapter 3).

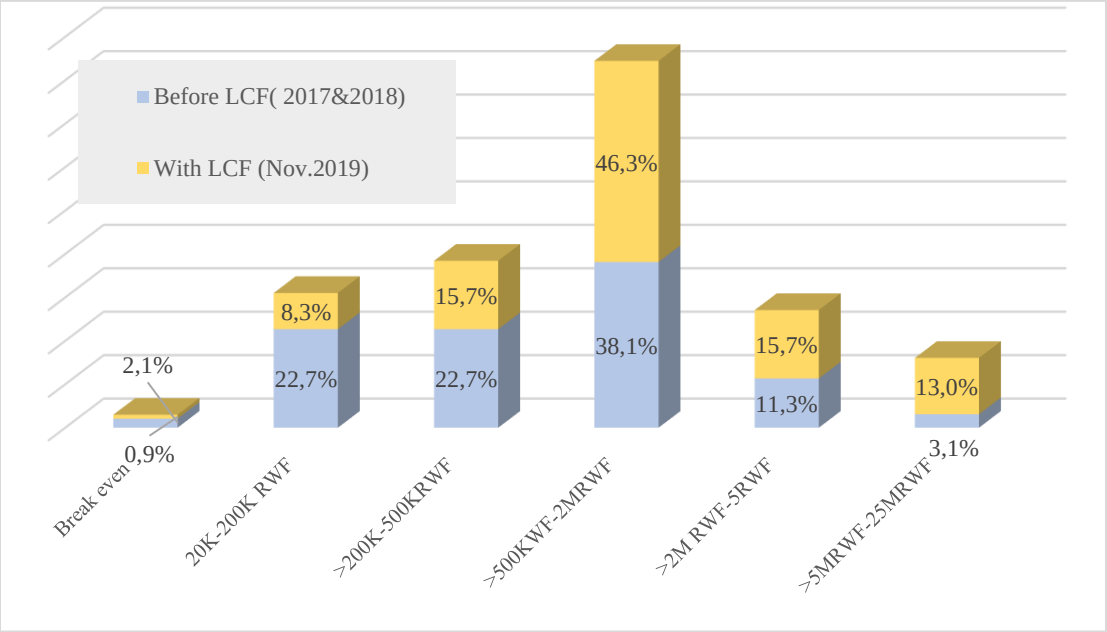

Figure 66: Distribution of companies over profit ranges before and with/after LCF

As far as turnover is concerned, findings have shown a positive variation of 2.42% in average turnover after receiving the LCF grant.

The researcher needed also to know how the LCF intervention benefited companies in funding windows (W). The findings showed that Window 1 companies (weak, informal) realised a positive variation of profit up to 102% (equivalent USD 664 to USD1.3 million) when contrasted to Window 2 of formal and advanced companies: 90% (from equivalent USD1,4 million to USD2.7 million) respectively before and with LCF. It appears that LCF helped informal and weak companies to double their profit, which can be attributed to its inclusive approach. However, the findings confirmed "the stronger is the winner" when comparing W1 and W2 companies in generating profits.

The findings are confirmed by comparing the baseline value, mid-term and end-term evaluation report indicators for LCF (Call 1 companies). GoR and BTC (2017) and Enabel (2019) reported that for every increase of 1% in the grant amount received by companies, their turnover increased progressively in the mid-term by 0.56% (0.58% if controlled by the delay of payment) and by 0.61% at the end of the term in March 2019. Similarly, it was reported that for every 1% of the grant there was an increase in the number of staff in general by 0.56% (permanent employment) and 0.27% increase in hiring women between 2017 and March 2019 (GoR, LODA & BTC 2017b; GoR, LODA & Enabel 2019b).

6.3.2.5 Summary

This subsection attempted to answer the question of how LCF impacted the local companies' growth and how LCF was designed and implemented as growth poles (see 6.3.2.1). The researcher has revealed that LCF led to innovations and value chain development because 214 new products and services were added while at least 78% of beneficiary companies identified new outlets for their products and services. As far as networks and openness and competitiveness to local and regional integration are concerned, 478 new partnerships were created which led to a 1% increase in access to the global value chain (see 6.3.2.3). Finally, it was revealed that most LCF-beneficiary companies improved their profits significantly (see 6.3.2.4). It can be concluded that the LCF had a significant inclusive impact on local business growth. 6.3.3 To What Extent does LCF increase district growth?

In pursuing the evaluation of the second research objective related to the evaluation of LCF impact on LED, so far, the impact on employment and local businesses has been explored. In admitting business development is the engine of local growth, that is to say, district growth, we can assume that the economic impact on local growth has been explored. However, the LED approach is also a regional economic approach that has attracted the attention of researchers to investigate the locality dimension from a broader perspective; in other words, going beyond the one-unit approach and looking at an economic locality which is the district. Therefore, it would be remiss of the researcher to ignore an analysis of the impact of LCF on district economic growth[144] since it is one of the LCF programme expectations.

[144] This was to create extra value to the district in the form of an increase in the tax base and sourcing inputs (see 3.3)

However, because of the limited availability of data at the district, sector and company level, the study preferred not to rely on the econometric approach for measuring the impact of the LED intervention on district economic growth as a whole (see Chapter 3). Rather, It opted to use available data in policy and strategy documents at both local and national level to show how LCF is expected to contribute to a district economy, in addition to several indicators already assessed which also contribute to local economic growth in various ways.

From this perspective, the researcher attempted to answer the following questions: *To what extent can LCF-beneficiary companies enhance the target districts' tax base to increase financial resilience?*

6.3.3.1 Projection of own revenues for LED investments in LCF-supported districts 2017 to 2024

According to GoR, LODA and BTC (2017), the LCF was expected to generate an impact in creating extra value for the district in form of local taxes and local sourcing which is one of the expected results of LED interventions. That is to say that the LCF was expected to reduce financial dependence on the central government and build self-reliance of districts in broadening their tax base. This is part of the vision of national CD & LED "*Local competitiveness and self-reliance driven growth"* (GoR & BTC 2017a; GoR, MINALOC 2020).

According to the national CD & LED strategy, there was a gradual increase in revenues in districts because of fiscal decentralisation and the presidential order allowing districts to generate their own revenues from fees, trading licences and land leases, among other things. Though own revenues increased up to 62% up to 2019, they were still less than 20% of central level transfers (17.4%); that is to say, the self-reliance initiative in the national policy vision is valid and requires effort to make it possible, not only to showcase its relevance at LG level but also to align it with the pace of national macro-economic developments[145] (GoR MINALOC 2012, 2019).

Further still, an assessment on the LED strategies 2017-2024 of the four LCF pilot districts (Nyagatare, Rutsiro, Gakenke and Gisagara) was done and it revealed that an increment in own revenues was expected to gradually increase at a minimum of 5% annually as domestic LED investments during the period of NST1 (2017-2024). Figure 67 below shows the details.

[145] The government of Rwanda increased its self-sufficiency in budget from 29% in 1995 to 84% in 2018 (See2.5.1)

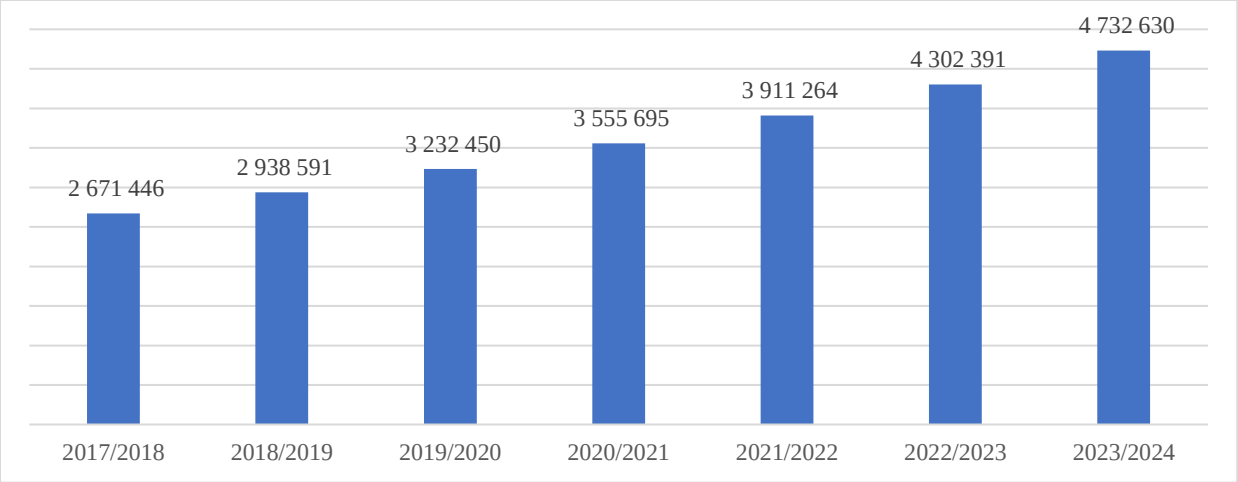

Figure 67: Expected increment of own revenues mobilisation in four LCF districts (2017-2024)

6.3.3.2 Findings related to LCF-supported industries potential contribution to district economy

Although not enough data was found for the districts and companies (both applicant and partner companies), the researcher managed to check this assumption contrasting the research findings on different aspects namely positive variations in the LCF-supported businesses performances, namely, companies that pay taxes (0.30); variations in profit increase (1.10); and variations in the proportion of companies that realised profit (0.12) before and after LCF intervention. In other words, the LCF intervention induced a significant change in increasing taxpayers and the tax base. As seen in previous analyses, the positive variation may be attributed to a mindset change thanks to mobilisation and training as well as the increase of profits of beneficiary companies. Using cross-tabulation outputs of the data “before” and “after” LCF and between Call1 and Call 2, Figure 68 compares the expected increment of own revenues collection and the proportion of companies that paid taxes before and after LCF.

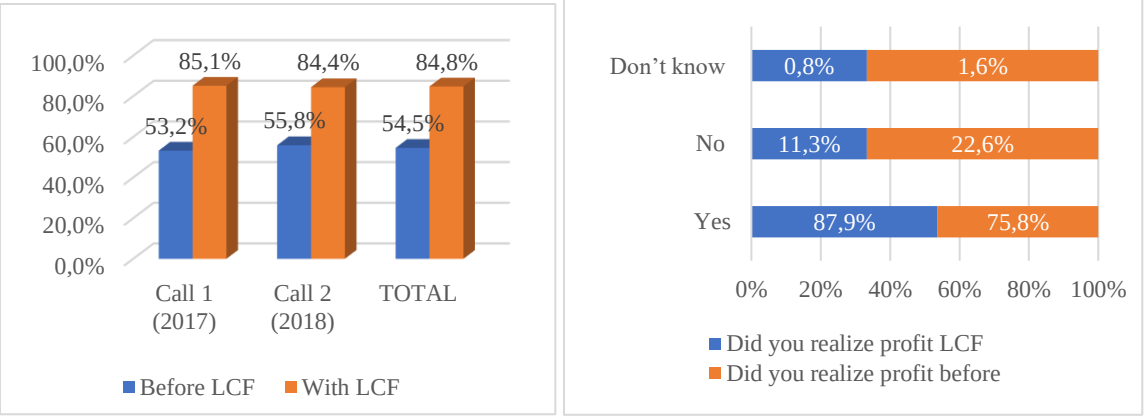

Figure 68: Incremental proportion of companies paying taxes and those delayed realising profit before and after/with LCF

As seen earlier, LCF has a multiplier effect on wages, income and trickle-down effects of technology due to the agglomeration effect.[146] It was earlier mentioned that about 478 partnerships were identified in four pilot districts and among those 67% (320 companies) were clustered in the districts. The study has also revealed that 78% of companies identified one to five new outlets. Both characteristics and progress indicate the potential multiplier effect in the target districts and beyond. To validate the findings, a LED case study of Ghana was explored.

- Case study 3: Ghana

The study carried out in Ghana on the role of Local Movement in LED in the Ejisu-Juaben Municipal Assembly by Oduro-Ofori (2011) revealed a similar LED project experiences similar challenges to Rwanda, namely, LED skills, access to finance, limited human resource and logistics, limited stakeholder engagement and poor integration of LED in local strategy among others. Notably, an issue of financial dependence to the central level was the core of his work. Despite the presence of LED strategies, districts just played their traditional role. His recommendations called upon both local and central levels to revisit the LED strategy and make it an effective approach. Unlike Ghana, since 2017, all districts in Rwanda elaborated their LED strategies and also started engaging with local stakeholders to make LED effective. Hence, LCF, like other similar initiatives, may bring about significant transformation to local financial autonomy and reduce it from its

[146] LCF as a growth-poles supporting approach with the condition of economic partnership over the value chain in a given locality (Pilot districts)

current 75% dependence in a short time and broaden the tax base with companies that improved their business performances.

6.3.3.3 Summary

Though the researcher was not able to show in real terms the rate of LCF contribution to district revenues in terms of taxes, in general, It can be confirmed that the positive variation in profit and tax payment by LCF-supported-companies constitute an added value to district economies especially in mobilising own revenues. Figure 69 summarises the key variations made currently compared to before LCF.

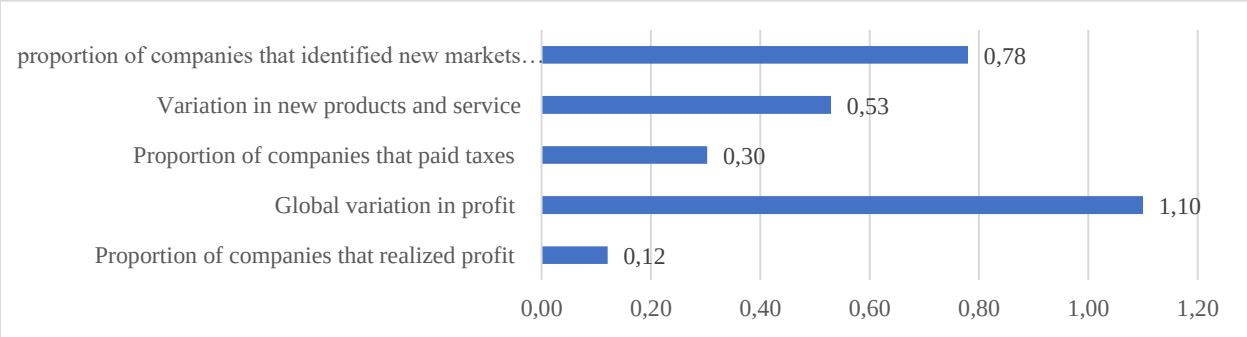

Figure 69: Findings on variation made with LCF intervention ensuring contribution to the district growth

6.3.4 How LCF Caters for Pro-Poor and Inclusive Objectives

6.3.4.1 Relevance of analysis of LCF as an inclusive and pro-poor approach

In conceptualising the LED approach, the complexity of the approach at both the theoretical level and practical level was highlighted. LED is a hybrid of approaches that complicates its understanding and application. To illustrate this, LED applies both endogenous and exogenous, pro-growth and pro-community approaches and accommodates development-from-below and from above (see Chapter 3). Bearing in mind the criticality of informality inclusion or LED, the researcher has not yet analysed either how informal groups participated in the local economy or how LCF benefited them.

So far, the positive impact of value chains and innovation, employment, economic partnership on the district economy have been analysed as in line with the LCF expectations.[147] However, the inclusion of weak and informal businesses needs particular attention when assessing the impact of LED. Therefore, the present section seeks to analyse to what extent LCF implementation caters for this objective.

6.3.4.2 Findings related to LCF inclusion for informal and micro and small businesses

The LCF was designed to include informal MSMEs to mitigate barriers for local businesses to access financial services from traditional financial institutions (FIs) namely banks and financial institutions. This is due to the limited technical capacity to present a business plan, limited negotiation capacity as well as the issue of collateral. In addition, FI loans are expensive with an interest rate of 24% which is not easily affordable by local businesses. Apart from the financial access barriers, the LCF was intended to enhance business synergy in form of partnerships over value chains for LED in target districts. The findings showed that the LCF supported both informal (7.3%) and formal businesses (92.7%) which would not be possible using classical mechanisms of access to finance. Again, on funding windows, the findings revealed that the LCF funded the proportion of 32.3% and 67.7% respectively for small companies under W1 and W2. (See 6.2.1.3).

The inclusion also can be appreciated from the design and characteristics of LCF during selection and implementation which was that business partnerships were needed over the value chain as a criterion for funding eligibility. These conditions relied on the creation of synergy between lead businesses (applicant and necessarily formal) and partner businesses (which was either formal for Window 2) or informal (under Window 2). It is important to mention that the study findings revealed that NGOs also participated in the LCF to make it more inclusive. NGOs namely Red Cross Rwanda and HCDO applied for LCF grants in partnership with the informal companies to enhance capacity-building and access to finance for some of their ordinary beneficiaries, namely, informal and vulnerable indigenous groups that met the LCF eligibility criteria (see 6.2.1.3). This confirms the LCF inclusion characteristics as seen earlier: A well-implemented LED strategy is the one that supports informal business to be part of the economy instead of looking at them as a

[147] (1) Create extra jobs in the district especially for pro-poor social categories (Cat 1 & 2 of *Ubudehe*), (2) Increase salary of existing jobs (3) Create extra value to district namely local taxes and local sourcing of inputs.

threat (Cunningham 2016; ILO 2019 bis). However, the low participation rate of informal business (7.3%) counteracts the objective of the LCF mandate as "a pro-poor inclusive LED mechanism". This is discussed in depth in a separate section on the drawbacks of LCF.

6.3.4.4 Findings related to trickle-down effects among the LCF-beneficiary-informal companies

As explained earlier, in applying growth poles as an economic theory and considering the hybrid characteristics of LCF, the researcher was interested to see how technology transfer improved indigenous knowledge and local practices. This was an attempt to assess not only the inclusion but also the learning processes and economic participation of informal companies in local growth. The findings revealed that the impact of the LCF disproportionately affected the target group which shows that they had very different needs on different aspects for their development. Thus, although companies were in the same area (domestic enterprises), development needs were varied. To illustrate, all informal companies (100%) confirmed having increased their technology, had acquired capital equipment and gained new skills, as opposed to an average of 84% respectively for formal companies. On financial management skills determined from annual reports, there was an improvement in skills from 0% to 66.7% in informal companies and from 26.4% to 81.6% in formal companies before and after LCF. Similarly, 33.3% of informal groups were registered and had a chance to network with formal companies to enhance their business growth. Conversely, though formal groups showed relatively low gains in several aspects, they gained more than informal groups in terms of profit, ICT improvement and professionalisation. With the above facts, it is clear that LCF interventions brought many changes to both categories of companies, and that informal groups learned positive lessons from advanced companies. Table 30 compares informal and formal companies' performances on some aspects of business development as of November 2019.

Table 30: Findings related to trickle-down effect and progress made by informal companies

Key aspects	**Informal groups**	**Formal companies**
S3.4 Did you improve your technology since LCF /2016/2018?	100,0%	94,8%
S3.5 Did you get new production equipment with LCF?	100,0%	77,6%
S3.5 Did you get new skills with LCF?	100,0%	80,0%
S3.5 ICT/ Equipment & communication	0,0%	36,0%

Key aspects	Informal groups	Formal companies
S3.5 Production process	88,9%	71,2%
S4.1 Did you have a partnership together before LCF? 2016/2018? (yes)	33,3%	40,0%
S4.2 Formalising the company/cooperative during LCF	22,2%	N/A
S4.3 How many partnerships did you enter in since LCF/2016/2018 to date? (average per company)	2,6	1,9
S4.4 Are you still in a partnership?	44,4%	53,6%
S5.15 Does your company/co-op have a person in charge of bookkeeping/ accounting? [148]/	11.1%	78.4%
S6.16 Does your company produce an annual report? [149]	66.7%	81.6%
S6.3 If yes, how much in net profit (in RWF)?	600 000	1 954 583
S6.2 Did you make a profit? (proportion of yes counts)	100,0%	79,2%
S6.4 Did you realise profit before LCF? (proportion of yes counts)	22,2%	71,2%

NB: (1RWF= USD 0.0010)

The researcher was also interested in the feedback from the interviews in 4 districts on the question on the trickle-down effect of LCF. The common feedback from FGDs and KIIs was: "(1) *purchasing power for the local population due to the increase of income from employment and supplying raw materials,(2) access to basic infrastructure namely off-grid electricity with Mobisol*[150] *company, (3) acquisition of new equipment at home, (4) improved saving and access to health insurance of beneficiary households, (5) increased technology for both formal and informal companies, (6) and the commercial centres around the LCF projects were dynamised*". See also section(6.3.5.3)

6.3.4.5 What was the best LCF component?

The researcher was also interested to assess perceptions of LCF-beneficiary companies on LCF components (grant, training and economic partnerships) to confirm the effect they had on their businesses. In general, 100% of beneficiaries in both funding windows appreciated the programme. Furthermore, on the question "S10.6: What LCF component between partnership, grants and capacity-building contributed the most to your business growth?", the findings revealed that 50.0%

[148] From 0.0% and 33.4% to 11.1% and 78.4%: Informal groups – formal companies before and after LCF respectively
[149] From 0.0% and 26.4% to66.7% and 81.6%: Informal groups – formal companies before and after LCF respectively
[150] This is a company providing off-grid electricity in rural households of Rwanda. The repeated case was Mubuga HHs in Gakenke district

of the beneficiaries regarded the "grant" as the most important element, while others credited their success first to capacity-building received (25.8%), and others (24.2%) to economic partnerships. Conversely, by cross-tabulation of data, the researcher assessed the perceptions of Window 1 and Window 2 companies in both Calls. The findings revealed that advanced companies (W2) which were the majority of the LCF beneficiaries benefited the most from the use of the grant (56%) while weak companies including informal groups benefited equally from capacity-building and grants (37.5%). This confirms the above findings that informal groups recorded significant changes in skills, production processes, and professionalism thanks to capacity-building or trickle-down effects from advanced companies. The following figure shows the perceptions of beneficiaries on the importance of LCF components.

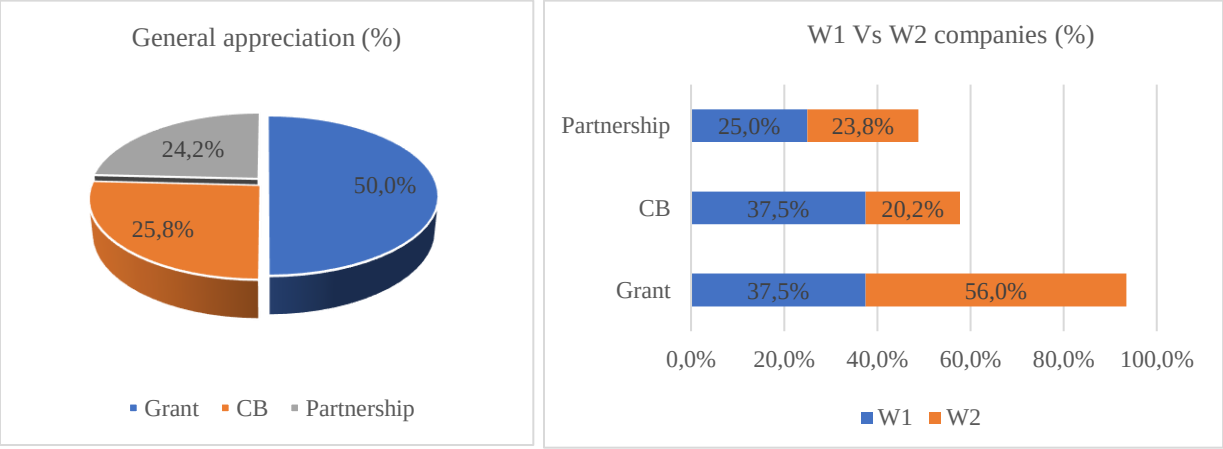

Figure 70: Appreciation of the LCF intervention components by beneficiary companies

6.3.4.6 Summary

Referring to the above findings, LCF was a pro-poor approach and given its transformative power to weak companies in W1 and informal groups in particular who realised unprecedented progress in their operations and business networking as well as formalisation. Alternatively, LCF benefited advanced companies in terms of grants, capacity-building and economic partnerships advocated by the LCF programme and improved technologies and ICT which are essential tools in development and competitiveness for participation in global value chains (Cunningham 2016; ILO 2015; OECD 2019). This facilitated a fruitful process of learning by weak companies using the "trickle-down effect" which is typically related to the growth poles model. Finally, the inclusivity of weak and informal companies, the employment as well as the local market competitiveness

meant that local companies benefited from LCF interventions, which strongly justifies that LCF is an LED practice that prioritises endogenous development[151] for improved lives for all. It can conclusively be asserted that LCF is an inclusive and pro-poor mechanism with huge potential to transform and reverse the trend of the predominantly informal sector in Rwanda. Its effect on poverty alleviation is analysed in the next session.

6.3.5 How does LCF reduce Poverty?

This section seeks to address research question 5: "To what extent does LCF cater for improved livelihoods for local residents?" (See 1.5.) Unlike in all previous discussions, this section assesses the impact of LCF not as pro-growth or exogenous and technology transfer on local companies, but rather through other lenses, namely, how it provides relief through the principles of inclusivity, giving the LCF a human face and improving lives for all. Without this social welfare analysis, evaluating the impact of LCF as an LED mechanism would be pointless and partial and this study would look like mere classical economics, lacking sensitivity in terms of the human dimension which underpins LED principles and other alternative development theories.[152] It is worth recalling here that the LCF adopted a "pro-poor and inclusive approach" (see 4.2.2).

Different authors have questioned and even rejected the sole use of quantitative methods in measuring the impact of LED. This is because of its complexity (economic growth and wellbeing), and difficulty in accessing accurate data, which Calls for the use of a comprehensive approach in measuring economic and social welfare (BALLE 2018; OECD 2011; Kuklys 2005; Rodriguez-Posé 2001; WB 2014).

Therefore, economically and materially, pro-poor and inclusiveness has been analysed on informal and weak companies' level in (6.3.4) however, it is correspondingly of equal importance to analyse the remaining aspect "LCF will fund projects that make a real pro-poor impact" which is meant non-material measurement. To emphasise relevance, the first expected results of LCF "Create extra jobs in the district especially for pro-poor social categories" (Cat 1 & 2 of *Ubudehe*) (GoR,

[151] Endogenous approach of the 1980s: It calls for working partnerships between local development actors and meets the satisfaction of local residents, without exogenous companies and foreign capital movement. In addition, it relies on stationary resources, human capital, investments and innovation (Aghion & Howitt 1998 and Ray 1977 cited in Kačar et al. 2016: 240).
[152] LED approach ends up by improved lives for all which shows the criticality of social welfare consideration.

LODA & BCT 2017). So far, job creation has been analysed in 6.3.1 but this section seeks to link the revenues with the social welfare of the households of the employees.

To put it differently, Rwanda faces persistent poverty, and the informal economy is dominated by high numbers of informal businesses (93%) which led to the implementation of the LCF pilot programme. Having justified the relevance of this critical analysis, the researcher's consideration of the LCF as "economics with a human face" particularly focuses on "inclusivity" and "impact on social welfare". In the same direction, non-material dimensions are analysed by reviewing the impact of the LCF on the livelihoods of companies' employees, job security and possible effects it has had at the household level as informed by the research survey of November 2019. Furthermore, LCF being called "a pro-poor approach", the study was also interested in the effect on lower socioeconomic groups, women and youth with the aim of evaluating the contribution of LCF to "improved lives for all" (ILO 2019: 1-2; WB 2003). To examine these aspects, two indicators are assessed: employment benefits and changes to employees' households' livelihoods.

6.3.5.1 How LCF created jobs that benefited employees in lower social categories?

- Benefits to lower socioeconomic groups: The study has already revealed that LCF significantly contributed to job creation and decent employment in form of new jobs created and salary increases. the researcher has seen how LCF has had positive trickle-down effects on informal companies namely in acquiring new technology and innovation, gaining skills that brought about positive changes including formalisation among other positive changes (See 6.3.4.2). In this section, there was interest to deepen the analysis on inclusivity and social welfare[153]to explore how LCF interventions have affected households in order to assess the extent to which it catered for improved lives for all.

  The research revealed that like informal and weak companies (W1 and informal groups), LCF equally had disproportionate effects on employees in lower social and vulnerable categories. To illustrate, of 1,407 new jobs created the lion's share of 66.0% were given to people in lower social categories (*Ubudehe* 1 & 2); 60.4% to youth (under 30); 44.8% to women [154]and 32.4%

[153] Many LED researchers stop at the econometric measurement of locality growth, employment, enterprise growth which partially addresses inclusivity and pro-poor. Improved lives are not confined to companies but should rather improve households' and individuals' lives.
[154] This increase of access to new jobs by women from 37.0% (before LCF) to 44.8%(with LCF) is attributable to the effect of training and coaching of companies on gender mainstreaming in business management which induced mindset changes in businesses owners and managers.

to illiterate and employees with only primary education. This confirms that the LCF programme benefited the lower, vulnerable categories and qualifies it as an inclusive LED instrument and an anti-poverty tool for Rwanda. See Figure 71.

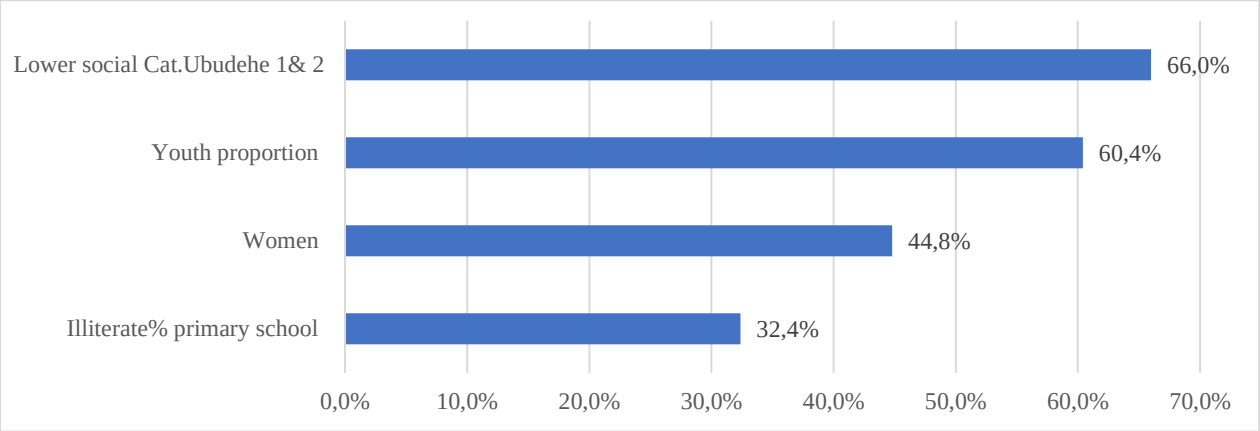

Figure 71: The inclusiveness of LCF with regard to lower social categories and vulnerable groups

- Positive change in employment conditions: In addition to benefits for lower social categories of staff, the researcher was also eager to analyse the variations related to the employment of lower-skilled and vulnerable groups and to see the trends in wages. The findings show that in general, 101 of the staff interviewed experienced a positive shift from temporary to full-time jobs, while general salaries improved for lower social categories (temporary staff).[155] That is to say that lower-level staff benefited as the companies registered changes, thanks to LCF interventions. On sustainability issue, the researcher also rated the proportion of respondent companies[156] that planned to increase employees' salaries in the year ahead. Of 129 companies, 111 (86%) were planning to increase salaries for their staff which supposedly included low-level staff. Figure 72 depicts the situation.

[155] This high increment of salaries (82.2%) was influenced by the rise of salaries for company owners who work for the companies, manager-staff and administrative staff (some doubled see6.1.3.4)
[156] On companies research questionnaire

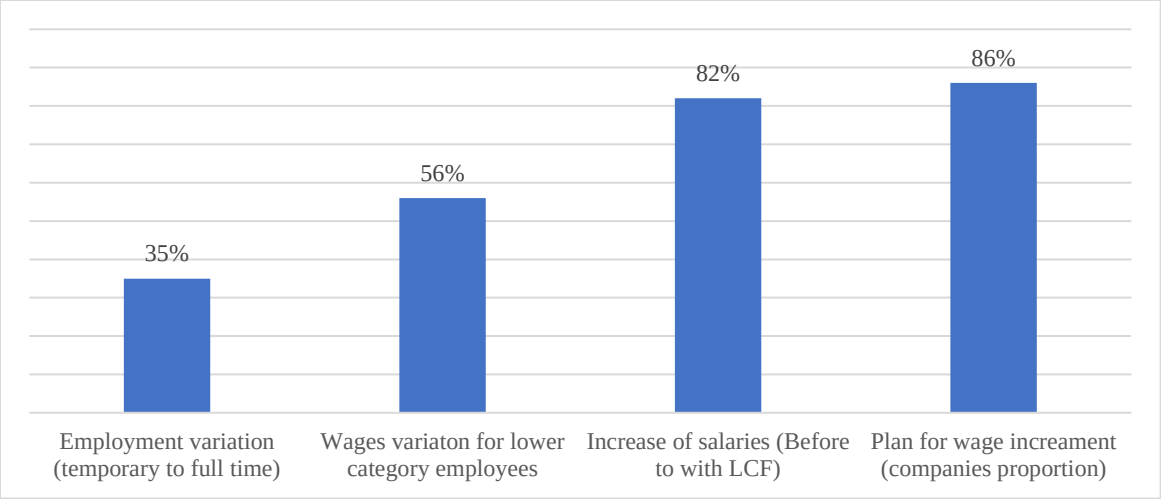

Figure 72: Positive changes in employment for the staff at lower categories

The increase in employment especially for youth and vulnerable groups (*Ubudehe* 1 & 2) is a significant contribution to national targets namely to reduce vulnerability and to enhance social protection[157], to increase non-agricultural jobs in industry and services, and address the increasing underemployment of youth (See 2.3.5 & 2.3.6).

6.3.5.2 What are the employees' households' conditions?

This section concludes the examination of the second objective (RQ5: How did LCF improve local people's livelihoods? /How did LCF improve local lives for all? (See 1.5)). So far, on inclusion and pro-growth, informal and weak companies, jobs for lower social categories have shown the extent to which LCF intervention allowed for inclusivity. However, *"improved lives for all"* which is the ultimate aim of the LED approach took the researcher to further analysis of the socioeconomic conditions (or livelihoods) of the communities (WB 2003). Understanding the livelihoods of LCF-beneficiary employees helped to measure the non-economic or the qualitative impact of the programme.

[157] These vulnerable categories are known as Ubudehe 1 and 2 are 25% and 18% respectively (43%) NISR 2018: 107).

- Who were respondent staff interviewed and when have they been recruited?

Before assessing the households' livelihoods, Figure 73 below summarises the responses of the staff who were mostly labourers, and professional staff in social categories 1 & 2 of *Ubudehe* (see also respondents' demographics at 6.1.2).

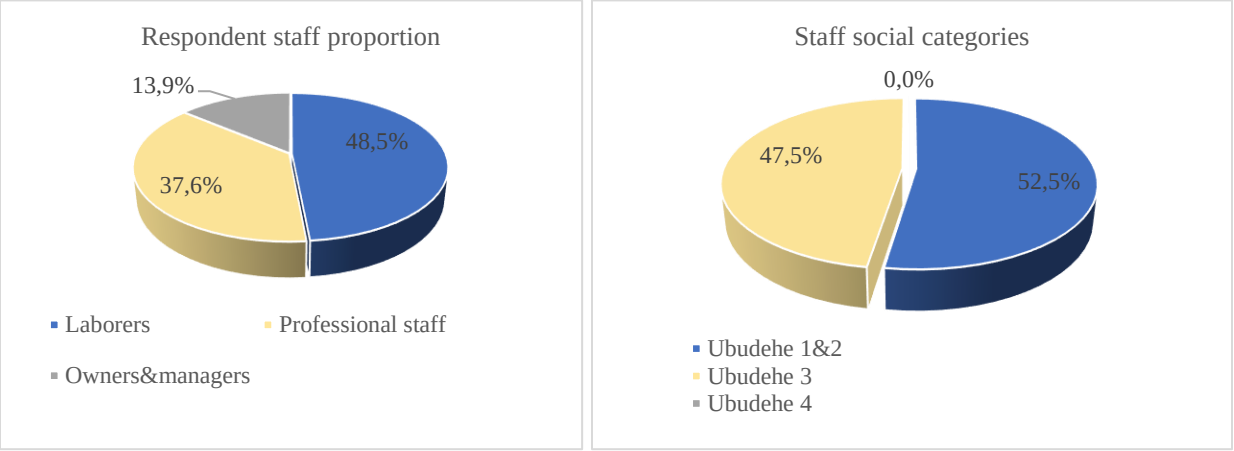

Figure 73: Functions and social categories of respondent staff

The study revealed that the LCF programme increased new jobs by up to 77%. This was confirmed by the proportion of 101 interviewed employees because 82.2% of them were recruited in the last three years against 17.8% with experience of more than 3 years. With this in mind, the researcher was satisfied that the LCF contributed to job creation, as it was intended (see Figure 74).

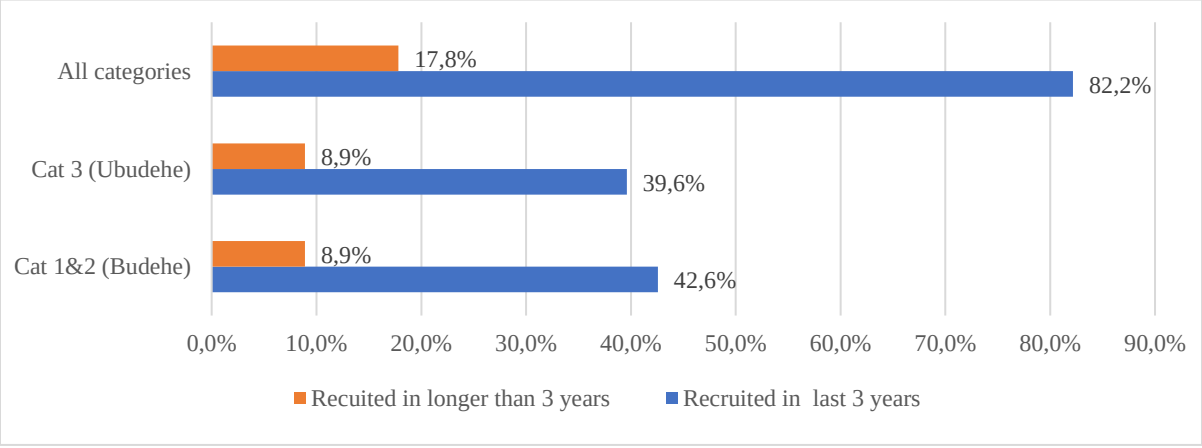

Figure 74: Increases in employment in LCF-supported-companies

- Employee households' profile and dependence

In pursuing the LCF effect on people's lives, it was interesting to know how employees' income is distributed and improved lives for all at the HH level. The findings revealed that the employee average HH size is five with 2.8 dependent members. That is to say that the dependence ratio (not working out of working) among LCF-beneficiary employees stands at 78.6% which is in the same range as the national age dependence ratio[158]in Rwanda of 75.17% in 2018 (WB 2019). To put it another way, LCF supported companies by paying salaries (employees' income) which contributed to households' survival.

This is an instance that confirms that the LCF supported families in the target districts. The following table (31) gives details on household composition.

Table 31: Descriptive statistics on family characteristics and social dependence

Characteristics	**N**	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
What is the size of your family/ host family /Including yourself?	101	1	13	5.0	2.402
How many dependent persons under your responsibility?	101	0	11	2.2	2.343
How many people of working age work including yourself?	101	0	7	2.8	1.386
How many workers or relatives living at home?	101	0	5	1.3	1.314

- What are the income sources of the employee's households?

With regard to the source of income, the findings indicated that employees' households (HHs) tried to diversify different sources of incomes to cover the basic needs of family members. The majority of respondents' HHs relied on permanent jobs and farming activities as sources of revenue. It appears that both permanent (77.2%) and temporary jobs (11.9%) provide 89.1% of the sources of income. See Table 32.

[158] The social burden of youth (0-14) and elderly age (>65)

Table 32: Income sources of employees' households

Source of income	Frequency	Percent
Permanent job outside of the family	78	77.2%
Part-time employment	12	11.9%
Farming	74	73.3%
Running a business	18	17.8%
Artisan /Handcraft	16	15.8%
Selling of logs, wood, timber, and /or charcoal	4	4.0%
Renting property	4	4.0%
Retirement allowances	1	1.0%
Others	0	0.0%

With this picture of the employees in mind, next, the study examines the livelihoods/ living conditions of these employees and their families/households and how LCF interventions catalysed changes through incomes and wages.

6.3.5.3 To what extent did the LCF intervention improve the life standards/households' conditions?

In exploring the extent to which the LCF intervention affected household members, as a non-economic dimension, the assets, property ownership, income and basic needs were analysed as per the LED theory (BALLE 2018; OECD 2011) (See chapter 3). Swanepoel and De Beer (2011), in discussing poverty as a "deprivation trap", pointed out that the poverty trap is linked to factors such as powerlessness, isolation, poverty, physical illness and vulnerability. They stated that community assets were among the key indicators showing poverty reduction namely shelter, employment, access to clean water, drainage and sewage, health facilities, food security, access to education and stagnant local economy.

- The distance from home to work and means of transport

Jobs were mainly given to local residents (91.1%) living at a distance of less than 5 km from their residences. The research findings revealed that 55.4% of the staff's homes were 1 or less than 1 km away from work and 76.2% of them walked to work. This aspect shows that LCF-supported

companies created jobs for local residents, which is one of the core objectives of any LED intervention (see Figure 75).

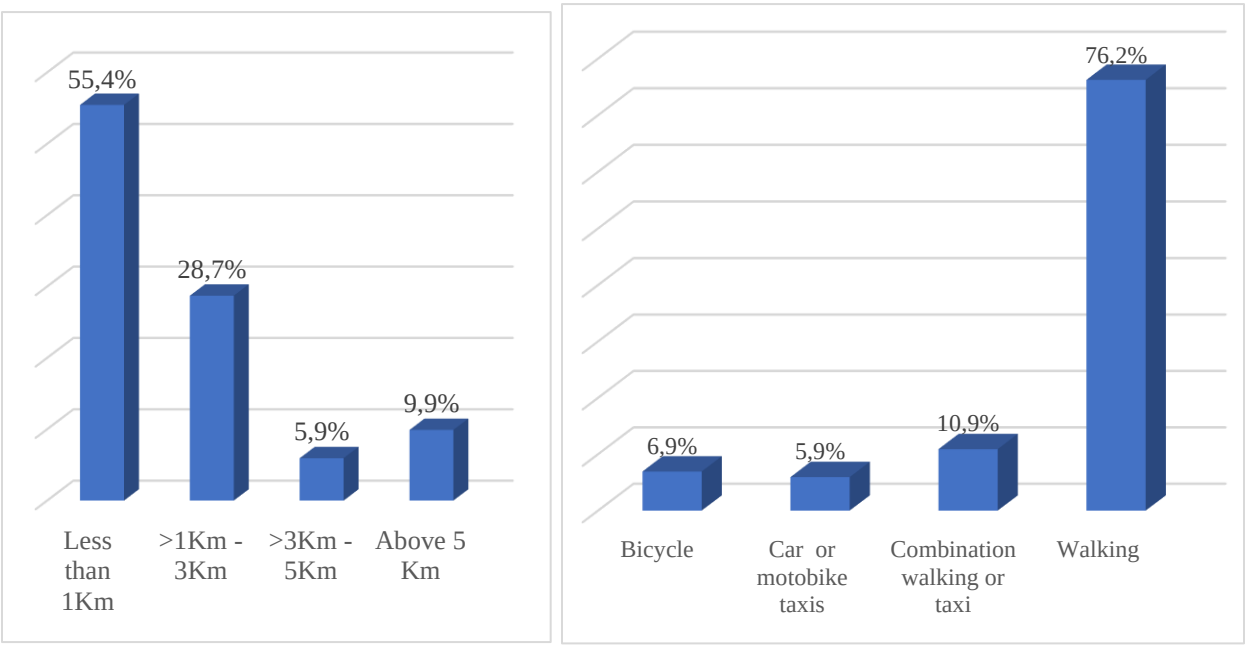

Figure 75: Distance walked and transport means by LCF-supported-companies

- Energy for lighting and cooking

The evaluation of the socioeconomic conditions is related to the LCF implementation period to see if there is any correlation with the recruitment period of staff. The energy used at HH does not only involve the cost/expenditures but also the living standards of households and environmental management, among other aspects. The findings on energy used at HH revealed some areas of improvement after the LCF intervention. As an illustration, 62.3% of employees of LCF-supported companies had access to lighting energy which is higher than the national access which stood at 34.5 % in 2017 (NISR 2018). (See 2.3.4). The use of polluting energy (e.g., the use of kerosene) was significantly reduced. The increase in incomes for employees had a positive impact in terms of access to electricity. However, the use of wood and charcoal as a source of energy for cooking increased, which may be attributed to an increase in production by cottage industries. See Table 33.

Table 33: Use of energy for cooking and lighting in employees' households

Energy types	Before LCF	Currently with LCF	Never used
Energy for cooking			
Wood	19	57	25
Charcoal	5	56	40
Electricity	1	5	95
Bottled gas	0	8	93
Crops wastes	0	1	100
Biogas	1	4	96
others	0	2	99
Energy for lighting			
Electricity	2	49	50
Kerosene	5	2	94
Wood	22	8	71
Biogas	0	4	97
Solar energy	1	13	87
Battery	0	4	97
Candle	4	16	81

- Improved access to clean water and health insurance

Apart from energy used at HHs, the researcher also asked the employees about water security. Water access means access no more than 500 metres away. The findings showed that 88.1% of employees' HH have access to clean water which is a bit higher than the national average of 83% reported in the EICV5 (GoR, NISR 2018). As far as water security is concerned, the findings show that only 10.8% of employees HHs had a water tank for roof water harvesting.

With regard to access to health insurance for HHs members, the findings showed that all LCF-supported employees HH members had access to health insurance [159] i.e., 100% against the national average of 84% in 2017 by EICV5 (GoR, NISR 2018) and 91% in 2019 (WHO 2019)[160], and it is clear that access to health insurance correlates with good health and wellbeing[161]. Notably, this is

[159] 98% are affiliated to national mutuelle de santé insurance, other private insurance companies
[160] WHO reported 91% in December 2019 of insurance coverage thanks to community-based health insurance (capacity building HI)
[161] Employment improve health by increasing social capital, psychological wellbeing, providing income, and reducing the negative health impacts of economic hardship which reverse with job loss (Goodman 2015: 1-8)

one of the greatest impacts of LCF intervention in the target districts, given the fact that access to healthcare is one of the basic human rights.

Livestock assets in the employees' households

The researcher was also interested in assessing the possession of domestic animals by employee HHs. The findings showed that on average, one HH possessed at least one head of livestock, with more chickens than other animals (See Table 34).

Table 34: Possession of domestic animals

Livestock asset	**Frequency**	**Average # by employee**	**# by employee**
Cow	78	0.8	1
Pig	50	0.5	1
Goat	122	1.2	1
Sheep	0	-	-
Chicken/hen	280	2.8	3
Rabbit	79	0.8	1
Total	609	1.0	1

- Assessing the employee's income use/distribution at the households' level

To finally assess the non-material dimension of the impact of the LCF programme on people's lives as part of LED, the study was interested to know how the incomes were spent. The findings showed that income covered essential expenses for the households, namely health insurance, buying clothes for households' members, children's education fee and savings among other basic needs. Notably, LCF-supported company employees' HHs had a higher rate of saving (89.1%) compared to the national average (53.7%) (GoR, NISR 2018) (see Table 35).

Table 35: General households' income expenditures

Household expenses type	**Frequency**	**Percent**
Mutuelle de santé	85	84.2%
Clothes	98	97.0%
Education for children	34	33.7%
Food purchase	88	87.1%
Bank saving	90	89.1%

House rental	20	19.8%
Buy assets	14	13.9%
HH equipment	34	33.7%
Pay wages	53	52.5%
Other	2	2.0%

It is important to note that the findings also revealed the income multiplier effect at the HH level. Regardless of the income level and social categories, the employees (52.5%) also paid other wages, namely labourers, domestic workers for their contribution to farming activities, house maintenance and childcare. This is because farm wages at the HH level in Rwanda are lower than wage in companies (see 6.3.1.2).[162]

With the above in mind, the researcher was interested to know how LCF-supported companies' employees prioritised their spending. Notably, the LCF-related incomes were spent on basic needs in the households namely buying clothes, bank savings, food purchases and health insurance (see Figure 76).

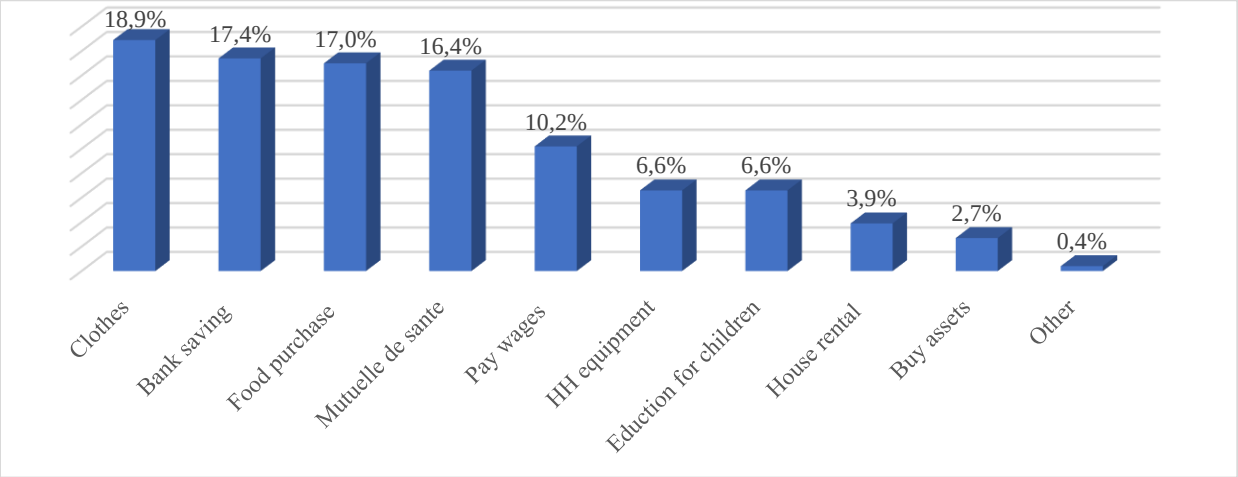

Figure 76: Spending priorities for LCF-supported companies' staff

In conclusion, it is clear to the researcher that the LCF programmes improved the lives of households in target areas chiefly in meeting the HHs' felt needs.

[162] Temporary staff at company earn RWF57310 / 30 = RWF1 910 which is > RWF1 000 and RWF500 for farm wages and housekeepers respectively.

The interview with one of the KII in Gakenke district (a leader) in November 2019, confirmed the same (see Appendix 12 Question 6) in these words verbatim "*Both Calls for proposals of LCF helped our district to uplift businesses, enhance job creation and generate income at both companies' staff and households level thanks to staff salaries and while supplying raw materials to processing companies. In so doing, LCF helped our population to access basic needs including the health insurance of Mutulelle de Santé and our district is now ranked the first for collective health insurance in Northern Province, and we mainly attribute this success to LCF project*".

The research also finds it important to mention another quote from the FGDs interviews on the question of induced effects of LCF in the direct beneficiaries and surroundings (See Appendix 11/Question 6). *"LCF catalysed many changes in our region. We found jobs and were able to sell our produce. Thanks to LCF we can cover our basic needs namely insurance, educating our children, access to food for our children and our families can make savings either in SACCOs and Ibimina*[163]*, buy domestic animals and equipment we need. Those who work with LCF are improving their lives remarkably. We thank our district leaders and other partners for LCF and the developments it brought to us."*

6.3.5.4. Summary

In an attempt to answer the question "How did LCF improve local people's lives for all?" (6.3.5), as part of the inclusion and pro-poor approach of LED, the findings revealed that LCF created jobs and was beneficial to employees in vulnerable and lower social categories namely youth and *Ubudehe* 1 & 2 among others (see 6.3.5.1). The LCF intervention improved HH standards compared to national status namely access to basic needs such as health insurance and energy saving among other basics, and the beneficiaries showed higher standards of living than national indicators (see 6.3.5.2). All in all, LCF catalysed changes and improved lives for all employees' households in target areas. For comparative purposes, a similar case study on inclusive LED was explored. The findings in this section confirm that LCF improved wellbeing which is the core objective of LCF.

[163] Ikimina (ibimina in prular) in Kinyarwanda mean community-based informal saving and credit groups.

- Case study 4/ South Africa

A study on LED strategies and their impact on SMEs and households in KwaMashu, South Africa, by Musakwa (2008) assessed LED in the township of KwaMashu which had a 70% poverty level among the respondents. He indicated that, although other strategies were well-planned, they had had a marginal impact on poverty alleviation because of multiple factors that affected both entrepreneurs and local residents, namely weak value chains and clusters, poor business networks and location, limited access to finances, poor skills and low levels of education, dependence syndrome, and poor technical assistance, among a web of other factors. The study suggested that a new LED agenda should adopt a holistic approach targeting skills development and savings. In order of importance, when asked, the SMEs wanted assistance with finance (52%), other skills (25%), entrepreneurship and other skills (45%), and other needs (3%) (Musakwa 2008). Based on this empirical case study, the LCF was a success. It filled gaps in skills, access to finance and economic partnerships over value chains. Another positive aspect lay in providing informed, tailor-made financial support to the local companies to address their specific needs.

In the next section, a critical assessment of LCF is done to evaluate the positive and negative aspects of LCF to determine which aspects to keep and which need to be improved.

6.3.6 LED formula operationalised with LCF as a LED instrument

This very section seeks to test the LED paradigm in the context of LCF. The previous inquiry on LED theory (section 3.6) has raised discussions that confirmed the hybrid characteristics of the LED approach on both construct and objectives. LED is an alternative approach built on both classical economics and endogenous development principles (Bahrija et al. 2016).

LED theory and practice have been discussed namely the complexity of LED strategy based on lacking the coherent theory body (Section 3.6) on one side and its two pursued objectives: economic growth (y) and wellbeing (WB) on the other side which opposes to classical economics that pursues the mere economic growth (Y). The researcher was not fully satisfied by any of the LED paradigms as a growth function in the regional economic strategy perspectives: (1) He considers the traditional neoclassical model Y=f(L, K) as very limited to scope up LED. Further, the second formula of LED as a function of indigenous or community development model focusing on LM: Y=f(LM, L,K) also seems insufficient to accommodate LED perspectives. The third one

of LED as a function of the growth-pole theory and cumulative causation (or agglomeration model) Y= f(AE,L,K) seems more comprehensive in traditional economics perspectives but not sufficient as well. The quite inclusive one was LED as a function of territorial innovation model whereby Y =f (I,LM,L,K). This was clear to the research that LED was considered as a mere economic growth (Y) and led him to the new and more comprehensive LED formula LED (Y&WB) to be a multifaceted approach LED=f (LM, L,K,I, AE) (See 3.6.5&3.6.6). The inquiry here, therefore, is to assess the extent to which LCF principles constitute the real LED recipe in the four study districts of Rwanda. The researcher's proposed formula is: LED = YWB= f(LCF). Alternatively, how LED= LCF=YWB=f (LM, L, K, I, AE). To point it differently, the inquiry is how LCF catered for YWB as *f(LM,L,K,I,AE).*

6.3.6.1 LCF design as a LED paradigm

It has been highlighted that LED is a multifaceted approach and that there is not any theory alone that can encompass the LED approach. According to WB (2006), ILO (2002) and Trousdale (2003), locality centrality is very key for LED strategy (LM) and bases on its productivity potential which must be valorised to address the community issues (YW). According to the same authors, the LED recipe fundamentally requires competitive investments attraction (K), promotion of inclusive business development and a necessary partnership between a private sector or business clustering, basic infrastructure development as well as promotion of innovations (Oduro-Ofori 2011 & UNDP 2017) which both inform on the factors of agglomeration (AE) and the innovations and technology promotion (I). Both LM,K,AE will generate incomes and employments (L). The authors went on and state that the LED process requires a conducive environment, capacity development and engagement of local stakeholders (see the LED conceptualisation in 3.4.1 and 3.4.2. See also tables 3 &4).

6.3.6.2 LCF results as a LED catalyser

LCF as neoclassical and territorial innovation model Y=f (L, K, I): The aim of LCF was primarily to enhance private investments(K) to generate incomes (Y) and employment (L). This is the pure neoclassical foundation for the economic development paradigm. LCF also opened the development-from-above or trickle-down effect by importing technologies in local firms (See 3.6.4). To illustrate, the research revealed that 91.1% of the LCF grant was used for acquiring

quality equipment and new technology assets (Technology or I), 2.4% of the grant was used to enhance labour skills (L, I) while 6.5% was invested as running capital for increasing the raw materials K). In total LCF created 1,407 new employments and it increased wages with a positive variation of 77% and 82% respectively while contributing to national employment creation target up to 2.4% (See 4.1.2; 6.2.3.1&6.3.1.2 Tables 23&24 &26). In summary LCF=LED= f (K,L,I).

LCF targeted the LM factor as an indigenous approach (Y=f (LM, L,K)): LCF was also designed to transform the abundant local potentialities in the target districts (See Appendix 6) into tangible opportunities (LM): This was namely the agriculture produces as raw materials for value addition through geoprocessing industries, tourism services opportunities as well as the hospitality as well as the creative economy of cultural crafts and arts among other opportunities (see (1.4, 2.6). In other words, the local potentialities in target districts (LM), the factor endowments or Rhizomes in LED metaphors (3.4.2&3.6.1.2) were considered to embed growth and welfare of the citizens of the districts once well taped. It is important to mention that LCF is a LED model designed as an inside-out model relying on local resources and private sector development (see development-from-below in 3.6.3). only local companies could benefit from the fund. The pro-poor and inclusion objectives of LCF confirms the indigenous characteristics of the LCF programme.

LCF as growth poles theory and agglomeration model (AE): LCF was designed to create innovative economic partnerships through an LCF programme in pilot districts. In addition, it was to support market-led development, by reducing business costs through supporting certain costs with the grant, value chains development and business clustering for synergy (See 4.1.2 & Figure 27). In total, in both Calls, about 702 business partnerships were mobilised of which 77 projects made of 193 individual businesses were funded by LCF in agro-processing, ICT, tourism, handcraft and services and distribution value chains. Particularly, of 193 companies, 75 were applicants (Propulsive units or lead-companies =39.4%) while 118 were propelled areas/ weak or small firms). The propulsive unit brought effects and trickle-down especially in the agro-processing sector through value chains development technology and innovations promotion which led to incomes and job creation. To illustrate, the new 214 made-in-Rwanda products and services have been put on the market (Total products 618). Similarly, 75.3% invested in market expansion activities (from 59.2% before) and 71.2% of companies developed One to Two selling points while

28.8% have expanded from three to seven and above points. Following the Peroxian growth poles model, LCF intervention doubled business profit and forged 478 new business partnerships in four districts (AE) connecting businesses locally, in-country and globally (see Figure 63, table 29 and 6.3.2).

Conclusion:

The researcher thus confirms without hesitation that LCF is a key LED instrument. Basing on local potentials (LM), LCF brought other economic factors K (in the form of grants) for the acquisition of the new technology and innovations (I). It also associated the K,I with the labour recruitment and capacity development (L) as well as positive returns of value chains development and business agglomeration /clustering (AE) which together converged into income, growth (Y) as well as the wellbeing of the employees and citizens in the depressed target districts (WB). Therefore, LED =f(LM, K,L,I, AE).

6.4 CRITICAL ASSESSMENT OF LCF FOR IMPROVEMENTS

6.4.1 Rationale and Approach to Analysis

This is an attempt to address the third research objective: "To assess the weaknesses of the LCF current model and propose a new appropriate and sound model for LCF conversant with national LED policy and economic objectives" which objective raised two research questions:

- What are the criticisms of LCF design and implementation and their effects on results?
- What are the possible improvements in design and implementation practices of LCF that can increase LED results? (See 1.5).

Though LCF model was implemented as a pilot model in Rwanda to ignite LED following a set plan/design (LCF manual) and related targets/expectations to respond to the policy objectives of the GoR In Chapter 3 a theoretical framework on LED was proposed against which LCF results needed to be evaluated and interpreted to generate knowledge on this experimental model of LCF. The analysis and discussion in this section are based on both the quantitative data (from the questionnaire) and the qualitative data (from FGDs and KIIs and observations) as well as secondary sources. Both positive aspects/features and weak areas that need improvement are discussed.

6.4.2. Criticisms of LCF design and implementation and their effects of results

6.4.2.1 Perceptions on whether LCF attained its objectives

It would be partial or unfair if the research did not make this a participatory inquiry, namely including beneficiary companies' views. Different questions were put to companies on whether LCF had attained its intended objectives or not. Furthermore, the researcher explored the positive experiences they had had with LCF or if any negative experiences affected their businesses.

Thus, on the question of whether LCF had attained its intended objectives, the findings were generally positive. Figure 77 below compares general perceptions between the two LCF Calls.

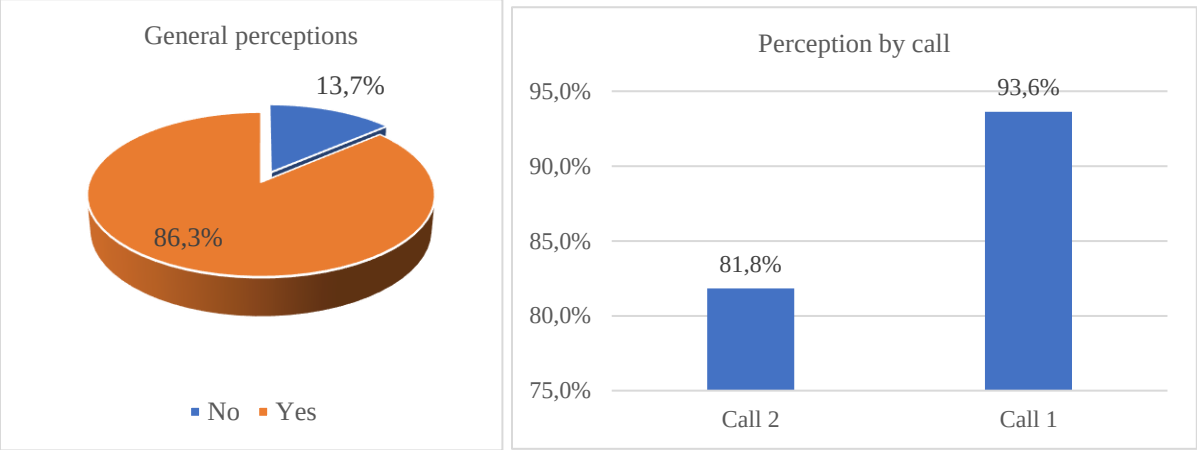

Figure 77: Perceptions on whether the LCF attained its intended objectives in Call 1 and Call 2

Comparatively, It was also interesting to examine the perceptions of formal and W2 companies which are advanced and those of W1 and informal companies which are relatively weak. The findings show that all informal companies were fully satisfied followed by W1 (92.5%) which was evident that informal and weak companies were more satisfied than advanced companies (formal and in W2). The findings from interviews with KIs confirmed these general perceptions but stated that advanced companies required bigger grants given their higher-level needs in technologies and working capital. (See also 6.3.4.2). This again showed that LCF is a pro-poor approach mechanism that reached its objectives (See Figure 78).

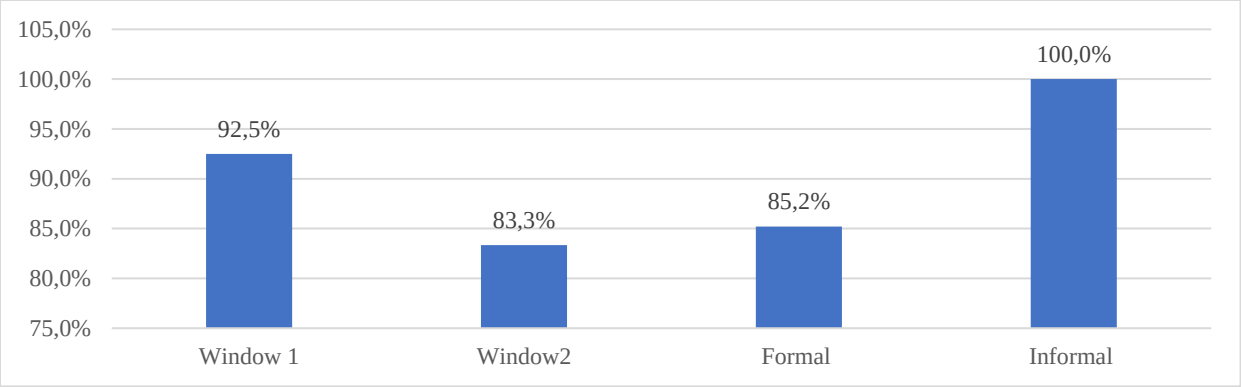

Figure 78: Perceptions on the attainment of LCF objectives by windows and company types

6.4.2.2 Dissatisfaction with LCF implementation and related drawbacks

Beneficiary companies and programme stakeholders[164] were generally satisfied with LCF results. However, they also expressed their dissatisfaction with both programme design and implementation. Delays in disbursement and heavy conditions made up the majority of complaints (85.1%). Similarly, multiple directives, too much centralised control and the requirement for reports as well as irrelevant training were also mentioned. The irrelevant training (1.8%) meant that though the training design was informed by prior capacity needs assessment, and that coaching was tailor-made to companies' needs, face-to-face training was shared between advanced and weak companies and BDS was carried out by the LCF technical team (from central level) and district technicians. These commonalities in the training of heterogeneous group with multilevel needs and several BDS providers resulted in dissatisfaction for some propulsive units, that is to say, advanced companies with improved practices (see Figure 79).

[164] I mean here policymakers and donor (Enabel staff), LCF managing technical team, districts officials, as well as FGDs on beneficiaries collective views who were all interviewed on LCF design and implementation perspectives,

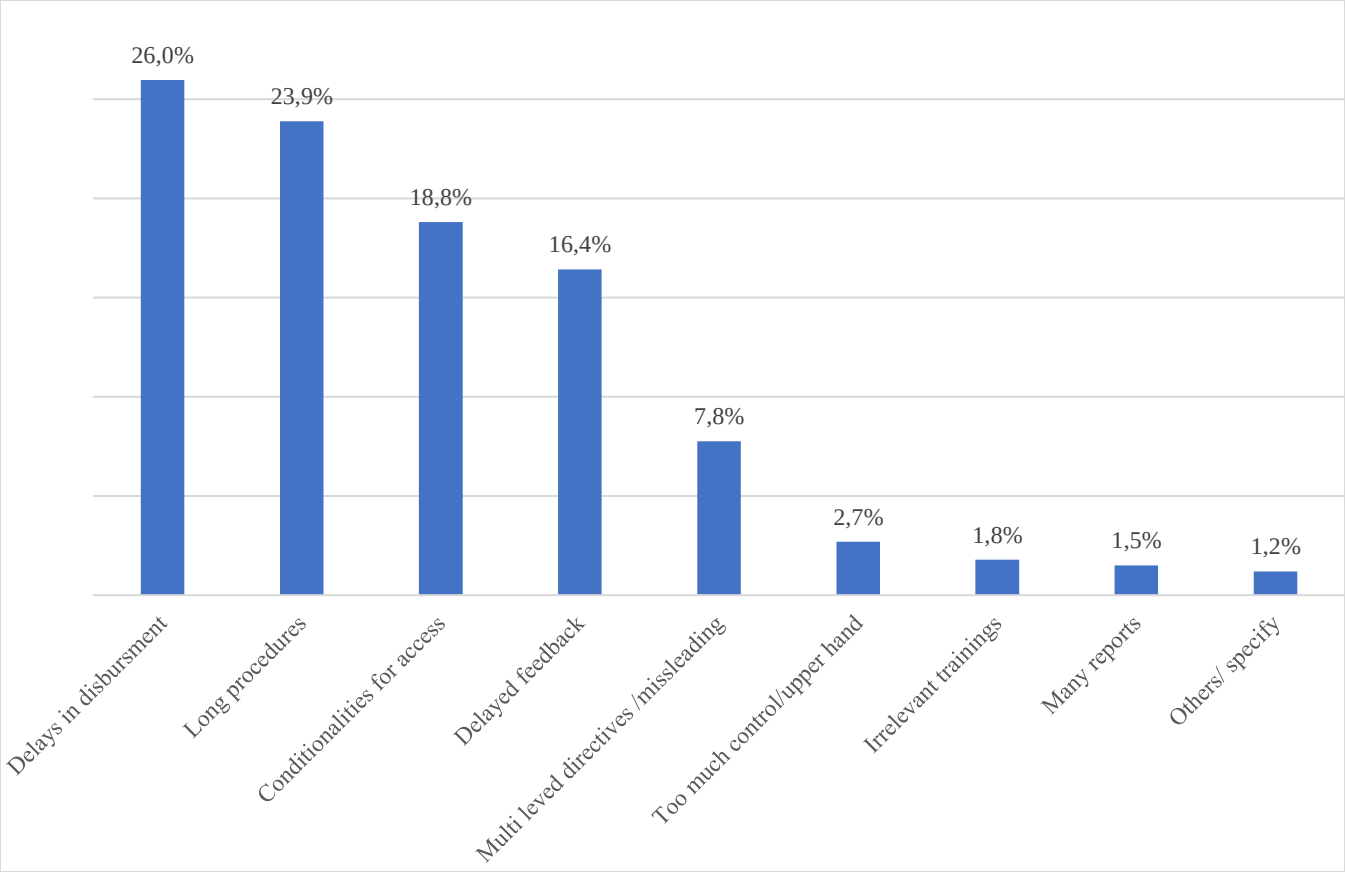

Figure 79: LCF-beneficiary complaints about the programme design and implementation

The findings on the questions of negative experiences with LCF revealed that both propulsive units and propelled areas were affected. They confirmed that delayed decisions and disbursement and burdensome regulatory processes resulted in temporal stoppages in production (64.3%) and led to partial completion of their business plans (66.7) which led to the loss of production and market share and generally lowered the business targets. The issue of delays was emphasised in KIIs and FGDs.

To confirm the research findings, this instance was underlined in the end-term evaluation of LCF in February 2019, as well as in the final report by LODA on the LCF 2016-2020 programme. Though LODA was generally satisfied with the LCF results and attainment of objectives, it recognised the delays in disbursement and the selection process as the key challenges. LODA attributed the challenges to the fact that it was a pilot programme and there were some teething troubles (GoR, LODA 2020a). Likewise, a regression analysis done on LCF in the end-term evaluation revealed that delays in grant payments had a direct effect on all LCF targets namely on

job creation, access to jobs by women, turnover, and access to markets among other things. To illustrate, a delay in the receipts of funds reduced the number of permanent staff by 36.75% (GoR, LODA 2020a; GoR, LODA & Enabel 2019a). These instances were self-explanatory that changes are needed to the LCF design and implementation.

6.4.2.3 What are the problems with LCF design and implementation?

Dissatisfaction by LCF beneficiaries was confirmed at different levels and pushed the researcher to identify where the issues were located in both design and implementation. It is important to recall that LCF originates from a decentralisation programme known as the RDSP which was implemented under the Ministry of Local Government (MINALOC) in charge of decentralisation policy and CD & LED policy. LCF was implemented under the oversight of LODA which is a public agency under MINALOC mandated to implement the national CD & LED strategy of which LCF is one arm. This is comprehensible why its design included decentralised entities [165] and different local structures for decision-making (see LCF design 6.2.2.1 and LCF governance 4.3.5). However, the research findings revealed that LCF design does not fully address implementation especially with regard to decision-making power which showed polarisation between LODA and the donors, Enabel. Figure 80 below shows the levels of participation of stakeholders at different stages with most of the power lying with the central-level decision-makers and the donor. Thus, power was polarised at the central level instead of the local level which is in contradiction with the programme's philosophy. When this control and power between the two categories of stakeholders are analysed at key implementation stages (early stage, selection process, implementation and post-project stage), it is clear that central-level decision-making is dominant at three stages: early stage, selection process and implementation stage. The local level only becomes dominant in the post-project stage after design and selection and funding decisions have been made; in other words, at the end of the programme. The reason attributed to this influence and dominance by the central level might be because the project was in a pilot phase and both the central level and the donor were very strict in sticking to the rules to avoid project risks. Another reason might be linked to the limited management capacity of districts, namely, that the staff in

[165] Districts of Local Governments (LGs)

BDEU could not properly manage and deliver on project expectations. The following radar chart (Figure 80) clearly show the polarisation of influence among the stakeholders.

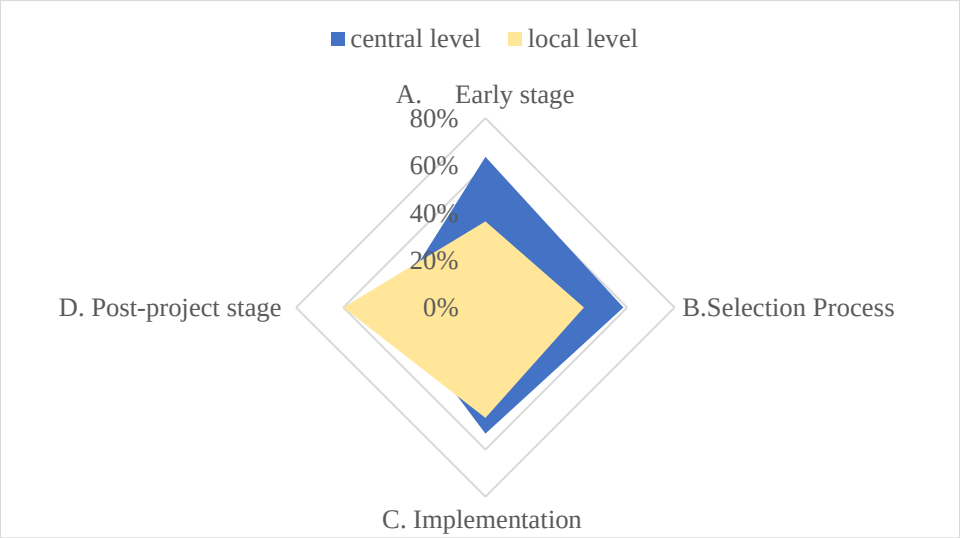

Figure 80: Decision-making power among LCF stakeholders

In the researcher own analysis and from the KIs perspective (mostly policymakers and programme designers), it is clear that LCF implementation was autocratic (Ministry, LODA and donor) at key stages which led to bureaucratic delays, burdensome procedures and the imposition of many conditions[166]t hampered the implementation of the programme and had a significant negative impact on the results despite the general appreciation of the programme by the stakeholders. If decision-making power was decentralised, reducing bureaucracy, sticking to schedules and respecting contracts signed by beneficiaries would have given better results. To put it differently, this had consequences, such as the loss of 517 new jobs that should have been created and under-consumption of the project budget (see 6.2.2.1 & 6.4.2.3).

To illustrate, during the field survey on the companies, one beneficiary-interviewee said in the following quote verbatim: "*Funds delays caused me to stop production and disturbed the researcher's initial plan. I disappointed the researcher's customers on delivery plans and lost markets. While I was waiting for the second disbursement of the grant in March 2019, I have waited in vain till now (November 2019) due to delays of the LCF secretariat*". Similar stories

[166] By conditionality, beneficiaries meant new conditions imposed by LCF namely the grant insurance that was requested before signing the contract. Insurance providers requested a deposit of the amount that interrupted business operations unexpectedly. As a result, a four-month delay in the first disbursement of the gran

were collected from beneficiaries during the field interviews, with beneficiaries telling the researcher and his team about challenges encountered namely those who were to purchase chicks and who lost production for a period; those whose plans collapsed; and others who experienced a halt in activities due to the lack of finance to procure production equipment. The same delays were pointed out in the end-term and follow-up evaluation reports of the LCF project. Table 36 illustrates the results of delays in Call 2: the findings show that non-payment of the LCF grant delayed every stage of its design from launch to the closure of the programme.

Table 36: Findings related to delays in LCF Call design and contract execution with beneficiaries

Key milestone for LCF Call 2 and contract	**Plan**	**Execution**	**Delays in months**	**Percentage of time lost**	**Comments**
Launch to awarding the contract	From Feb to August (2010)	Feb – Nov 2018	2	28.6%	Internal delays related to decision-making and bureaucracy by LODA
Payment of 1st instalment	Nov. 2018	April 2019	4	22.2%	At least in one to 2 month after 1rst instalment
Payment of 2nd instalment	May–June 2019	October – Dec. 2019	5	22.2%	Issue of compliance of LODA that followed one disbursement. The compliance delayed in decision-making on companies to continue /those cleared or those to suspend
Payment of 3rd instalment	December 2019	March 2020	3	16.7	
Contract 18 months	Nov 2018-March 2020	Nov. 2018 – June 2020	3	16.7	Delay of disbursement and Covid-19 lockdown. The request for an extension to June 2020

The LCF covered a limited number of informal businesses (only 7.3% against 92.7% of formal companies), yet the national status is the reverse (93% informal against 7% formal). That is why around 42.7% of beneficiaries stated that LCF has burdensome conditions for access and lengthy procedures (see Section 6.2.1.3 & 6.4.2.2), which should consequently be changed in the design (see 6.4.2.4). It is therefore clear that LCF could ease eligibility and capture more results on informal groups for sector transformation.

From the results of LCF implementation, only 167 companies met the LCF conditions and exhausted the grant[167], whereas others were disqualified by audits halfway or withdrew due to the conditions for access. Swanepoel and De Beer (2011) argued that a good project design does not suffice for its success. To release people from the poverty trap, some critical principles should guide the implementation to ensure success, namely (1) learning for understanding the target groups' real and felt needs and tailoring the type of assistance; (2) compassion and empathy; (3) adaptability based on the learnings, change of mindsets and local consultation for readjustment instead of blueprint planning from the top down; and (4) simplification of the processes required to access the LCF funds.

6.4.3 Possible Improvements in Design and Implementation Practices

The second question related to criticisms of the LCF design and implementation to determine where possible improvements could be made. To answer this question, reference can be made to the above analysis of weaknesses and the beneficiaries' perceptions on the same issue.

6.4.3.1 Perceptions of LCF-beneficiary companies on changes to LCF design and implementation

When asked "Do you think LCF should change or improve in its design /practice?", 86.3% of beneficiaries agreed that eligibility conditions complicated access to the grant. Figure 81 illustrates the perception of beneficiaries on changes in the order of priority.

[167] Of 199 companies, 16.1% failed to meet repayment agreements and 77 partnerships collapsed halfway. The programme management also failed to exhaust the project's financial resources and only 70% was consumed.

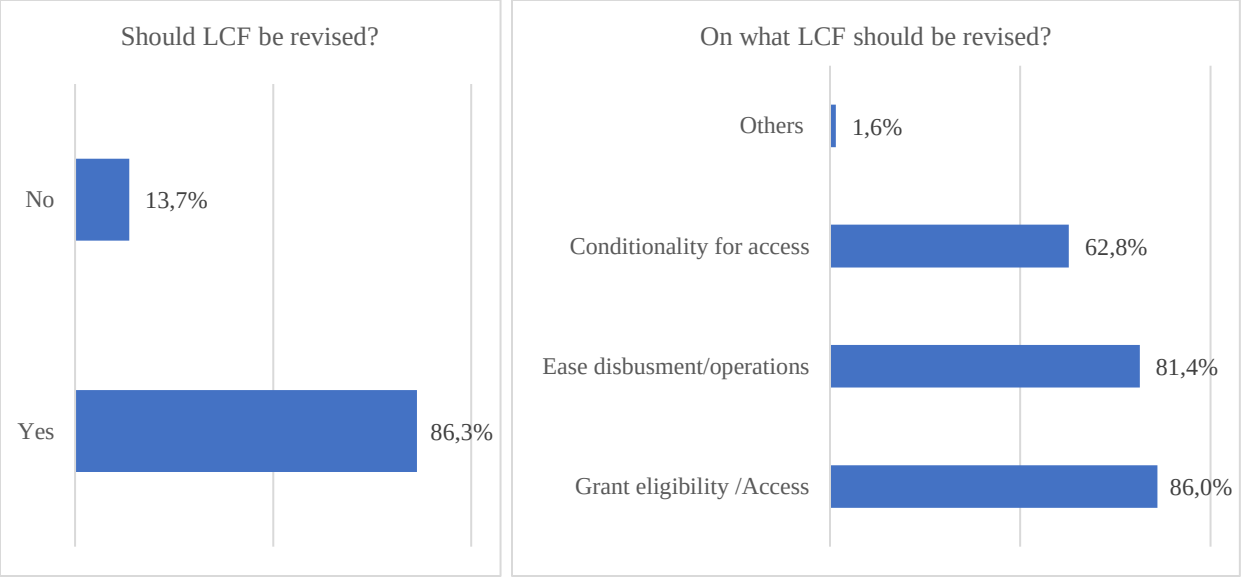

Figure 81: Perceptions of LCF beneficiaries on changes needed

Cameron and Quinn (2011) argued that in diagnosing and changing an organisation's culture, that organisation should be practical, efficient and involve everyone. It must be both quantitative and qualitative, manageable and valid. Tailored on four quadrants of the competing values framework, LODA as the custodian of LCF implementation together with central-level stakeholders falls into the hierarchy and market quadrants[168] and much less into the clan and adhocracy quadrants.[169] That is to say that LCF is not participatory enough. According to LODA (2020), delays were attributable to the fact that this was a pilot project and it was trying to minimise risks. The findings clearly show that LCF design, operations and administration were burdensome to its beneficiaries especially given the delays in programme administration and its consequences for the local businesses. Recommendations in this regard are addressed later (see 7.3.2)

6.4.3.2 Critical challenges on LCF design and implementation?

From a theoretical perspective, the LED approach requires the effective engagement of public, private and civil society actors but in a specified manner. The government plays the role of facilitator and creator of an enabling environment to ease the LED process (Cunningham 2016; WB 2003). Unlike with the LCF, the GoR was an actor in providing BDS and managing the funds which hampers the normal practices of LED. The government agency (LODA) played an

[168] Hierarchy: controlling, coordinating, efficiency, monitoring consistency and uniformity and Market: hard driver, competitor,
[169] Clan: collaborative, facilitator, mentor, team builder, communicator and Adhocracy: creative, innovator, visionary, agility, effectiveness

inappropriate role that should be played by other BDS providers such as civil society organisations, banks or private organisations. This may partially explain the researcher classification of LCF management on Cameron and Quinn's competing values framework (see above 6.4.3.1). This was a major area of concern put forward with most of KIs who criticised the role played by LODA in LCF administration arguing that "no one can act and regulate at the same time"; that is to say that LODA should serve as a regulator and facilitator and not be an actor. To put it differently, specialised financial institutions (bank or microfinance institution) could perform better the financial management of the grant.

The researcher also investigated an empirical study on South Africa related to issues of participation and ownership, where reference made to a Community Investment Programme (CIP) (Geerts 2016). CIP was a people-centred programme which was a typical LED programme to promote a local working economy supporting income-generating activities. It was designed to reduce poverty in left-behind regions of South Africa using a programme proposed by an economist known by Reynolds. Despite a good design of the programme ensuring local ownership and participation, the project failed due to facilitating organisations made up of NGOs and public organisations that did not understand the context and power relations at the local level; hence, there was a lack of a successful project governance structure. Community representatives in project management committees did not serve in the interests of the community which lead to poor participation, ownership and limited transformation as there was low community trust, unrealistic expectations, self-enrichment, and empty promises and misunderstanding by facilitators that led to project failure and financial unsustainability. Similarly, based on the negative experience of LCF beneficiaries, a good design and intent of the programme does not ensure successful implementation but requires a good understanding of local needs, and equitable role-sharing among local LED actors.

The researcher found it interesting to support the above results with the findings from the FGDs and KIIs on the questions "what did not go well and what should change to improve LCF" (see Appendices 11&12): The feedback verbatim et literatim was that "*they were not happy of the access conditionalities namely the request of guarantee to the beneficiary something that was costly*" and also "*the long process for evaluation and disbursement used by the programme which hampered on businesses performances*".

6.4.3.2 Summary

Section 6.4.3 examined the drawbacks and possible improvements to the LCF programme on design and implementation. As per the discussion above, LCF was appreciated at different levels. Beneficiary companies especially the “propelled units” that is to say weak companies in W1 and informal groups, confirmed that it had achieved its intended objectives while 86.3% of beneficiary companies said that it was important if good results were to be achieved. Quantitatively, it was revealed by other studies on the LCF Call 1 that drawbacks in implementation led to the loss of jobs (517 lost jobs) and loss of turnover, among other consequences. To this end, fewer conditions for access, a reduction in bureaucratic delays and ease of eligibility were at the core of requests for changes (GoR, LODA & Enabel 2019). In the same line, the governance structure and roles of stakeholders were to be revised in the new LCF features namely shifting the role of the Government as an actor. It is important to note that the grant size has never raised any criticism among the respondents. This confirmed the findings of the researcher on the impact of the grant on business value, turnover, and profit (see 6.3.2.4, especially Figure 64). Consequently, this was clear why the gran size does not count among fund design challenges (see Figure 81).

CHAPTER 7: SUMMARY, CONCLUSION AND RECOMMENDATIONS

7.1 INTRODUCTION

The research was entitled "The Role of the Local Competitiveness Facility in Igniting Local Economic Development in Rwanda" to assess whether LCF is an appropriate model to ignite LED through supporting local business. This chapter, therefore, provides the summary of the research, conclusions and recommendations

7.2 SUMMARY OF FINDINGS

7.2.1 Research Background

Rwanda is among the poorest countries, land-locked with limited natural resources. The country experienced the genocide against the Tutsi in 1994 that had many adverse socioeconomic, political and environmental consequences. The country began a reconstruction process, whereby new economic directions were determined, namely Vision 2020, and poverty reduction programmes were instituted given the high poverty rate. Thus, decentralisation and community development policies were adopted which fed into the national social protection policy and the first national LED strategy in 2013. However, since 2008, Rwanda revised its agenda to combine poverty reduction and economic growth in EDPRS 1 & 2 (2008-2013 & 2013-2018). Therefore, since 2018 Rwanda has had a new agenda and has drafted Vision 2050 with the first mid-term programme of National Strategy for Transformation (NST1). In the last decade, Rwanda had a steady annual GDP growth rate of 7.5% and is a model country in many respects, namely good governance, tourism and ease of doing business among others. However, the expected employment and poverty reduction in 2018 was not satisfactorily achieved. Poverty is still high (38.2%) and extreme poverty stands at 16% while they were projected to 20% and 0% respectively in 2020 (GoR, MINECOFIN 2017; GoR, NISR 2018). Like other African countries, the issues of persistent poverty and unemployment are the drivers for Rwanda to adopt the LED approach (see Chapter 2).

Theoretically, LED is a complex approach that lacks a coherent theoretical body which complicates its understanding and practices. Since the 1980s, conventional economic strategies have failed to address issues in LDCs, and the endogenous theory was recommended by the WB

and other institutions. Among those endogenous approaches was the LED strategy with the aim of creating jobs, enhancing inclusive growth and improving lives for all. The complexity of the approach rests in its hybrid character to combine economic growth measured quantitatively, and non-economic dimensions, which are measured qualitatively. Thus, it can be said that both pro-poor and pro-growth approaches are inherent nature of LED. Additionally, the lack of a coherent theory has led to the adoption of a meta-theory to explain LED. Endogenous characteristics vis-à-vis "neoliberalism" seem to be impossible to identify and again Calls for a hybrid endogenous-exogenous model. Since the first strategy (CD & LED strategy 2013-2018) in Rwanda, the LED approach has brought about substantive changes in local projects for infrastructure, market competitiveness and job creation. Among these is the LCF which is a matched grant, a pro-poor mechanism to spearhead employment and inclusive LED in the poorest districts of Rwanda. Notably, the LCF appears to be a growth-pole approach which is one of LED grounded theories, given its design and intent, namely economic partnerships among local businesses (advanced/lead industries and weak and informal/partner-industries), trickle-down effects and innovation promotion. To this end, the research was to assess this pilot LED initiative of LCF in terms of its convergence with the Rwandan LED policy and its impact on LED and then to identify possible drawbacks in the design and implementation, and to propose improvement.

With the above, the intent of the study was to contribute to the body of knowledge on this new approach of LED in Rwanda, and generally to deepen understanding of both the economic and non-economic dimensions from districts, industry, companies, employees and households to assess "improved lives for all", which is unlike many studies that have been done to date.

In pursuing the above general objective, the SOs were set as follows:

1. To understand and conceptualise the LCF model and show its place and relevance to Rwanda's current LED policy environment;
2. To assess the impact of LCF on local economic impact in target districts; and
3. To assess the weaknesses of the LCF current model and propose the most appropriate model for LED in Rwanda's policy context (see 1.5).

In line with the objectives and research theoretical framework, the researcher used an MM approach to explore both economic and non-economic dimension of LCF impact at different

levels: national, four pilot district, 129 industries, 101 employees and their households. The desk research, questionnaires, interviews with FGDs and KIs and observations allowed to find significant data that were analysed and interpreted (Chapter 6). The summary of the findings is provided below.

7.2.2 Conceptualising LCF and Understanding its Convergence with National Policy

The first objective of the research was to understand and conceptualise the LCF model and show its place and relevance to Rwanda's current LED policy environment. To assess this objective, research questions were analysed:

7.2.2.1 What are the typical characteristics of LCF-supported-companies?

LCF has supported 199 local companies and 77 economic partnerships over value chains. The sample covered four pilot districts (Rutsiro, Gisagara, Nyagatare and Gakenke), in 193 companies in 77 partnership projects. This involved 77 lead companies or propulsive units with advanced technology and 116 weak companies to take advantage of the trickle-down effect from the advanced companies. The research revealed that LCF-supported 7.3% of informal companies, and 92.7% of formal companies. As far as funding windows are concerned, 67.7% were classified in W2 of majority advanced companies, while W1 funded 32.3% of generally weak companies. In addition, the majority of LCF-supported-companies (55.6%) were registered companies, and 41.9% were cooperatives while 2.4% were NGOs and TVETs. Furthermore, 98.8% of supported companies were MSEs (< 30 staff) and were chiefly concentrated in agro-processing (50.8) and handcraft (37.9%) while the remaining were in categories of distribution, tourism and ICT (11.3%). Typically, LCF-supported local companies in LED potential areas for creating jobs and incomes in the target areas (see 6.2.1). This gives the researcher assurance that LCF is a LED approach and particularly a growth-pole approach.

7.2.2.2 What does LCF design look like?

LCF is a pilot grant involving different stakeholders at both local (District as Secretariat, private sector federation and beneficiaries) and central level (LODA custodian and national secretariat), MINALOC and the funder (Enabel). LED theory recommends the inclusive participation of all actors (public, private and civil society). The pilot programme organised two Calls from 2016 to

date (2020). The LCF design for call for proposals was organised in the four key stages, namely, the early stage, the selection process, the project implementation stage and the post-project stage. The awarding of grants was very challenging because only 10.1% of the total expressions of interest received were awarded. Administrative, technical and DD processes constituted the evaluation approach applied for the selection of beneficiaries before awarding the grant. The awarded projects were requested to present an insurance guarantee before receiving the grant. Furthermore, all awarded projects received training on 12 topics by LODA, private BDS provider as well as the district staff. Traditional classroom training approach and company individual coaching were used (see 6.2.2). Though LCF design should be participatory, it was seen to be centralised at the national level and demanding high-level requirements for eligibility that raised criticisms and subsequent recommendations for changes (see 7.2.2)

7.2.2.3 How does LCF design converge with Rwanda economic policy?

The study found many instances of how LCF was an instrument in several policies and strategies given its design and intended objectives. Its inclusion of local, weak and informal companies its aim of creating jobs qualified it to be an LED tool aiming at poverty reduction starting with people in the lower socioeconomic categories of *Ubudehe* 1 & 2. Supporting local companies in increasing innovation and productivity, improving market competitiveness through providing grants to stimulate partnerships, and BDS were seen as critical issues as emphasised in several Rwanda policies. LCF was seen as a potential catalyser of the informal sector that dominated the Rwanda economy at 93%. In the same manner, the LCF objective of inclusivity, job creation and development of local MSMEs was linked with several policies aiming at local market competitiveness, the 'MiR' policy, agriculture transformation, quality policy, social protection as well as the industrial policy all supporting NST1 towards achieving Rwanda Vision 2050 (see 6.2.3).

With the above, the first objective of understanding and conceptualisation of LCF was addressed. LCF appears to be an unprecedented inclusive LED mechanism in Rwanda for growth and poverty reduction; hence, converging with several policies of the GoR for Vision 2050.

7.2.3 How did LCF create LED impact in target districts?

After understanding and conceptualising LCF, now comes the assessment of the second objective of research inquiring: "*To what extent does LCF create income and employments local enterprises?*" as explored in 6.3 above. Knowing the complexity of measuring LED, different levels and the use of quantitative and qualitative approaches, the researcher assessed this core objective by answering five key questions.

7.2.3.1 To what extent is LCF a catalyser for employment through local enterprises?:

The common area of interest for LED strategies across the literature is the creation of employment which is aimed at poverty alleviation (Cunningham 2016; GoR MINALOC 2018; ILO 2019). To put it differently, the researcher question was on the extent to which LCF can contribute to persistent poverty reduction[170] through job creation. The findings have revealed that LCF Calls created 1 407 new jobs equivalent to a positive variation of 77% of the jobs before LCF which brought the total to 3 235 jobs in LCF-supported companies. Notably, the increase of jobs went hand-in-hand with wages that increased by 82% while job security increased to 35%. The researcher's computation further showed that LCF once rolled out nationwide, has the potential to contribute up to 2.4% of national/NST1 targets for job creation by 2024 (See 6.3.1).

7.2.3.2 How does LCF spearhead the growth of local enterprises as growth poles?

The next inquiry was to know how the growth poles characteristic of LCF catalysed the local companies' growth. As seen above, the LED strategy must ensure the development of local enterprises which are considered as the engine of growth and job creation. The researcher recalls here that LCF design was found to be a growth poles approach given its economic partnership over value chains where propulsive units are linked with weak companies, all aimed at job creation and local growth as per François Perroux (Higgins & Savoie 2017) The findings showed that 39.4% of LCF beneficiaries were propulsive units while 35% were in manufacturing and 4.4% in industry. It appears that lead companies as growth poles together with LCF interventions brought about significant changes thanks to learning effects and trickle-down of technology. To illustrate, the LCF-beneficiary companies created 214 new products and entered 478 new partnerships while

[170] 38.2% and extreme poverty 17% in 2018.

78% of companies opened new outlets. It is worth noting that 67% of businesses activities were concentrated in the local districts while 38% were outside the district. It is thus clear that LCF increased local market competitiveness notably in MiR products but also by exposing local companies to the global value chain which is one of the LED objectives (exogenous side/ neoliberalism) (Cunningham 2016) (see more in 6.3.2)

7.2.3.3 To what extent does LCF increase district economic growth?

Theoretically, LED is a geographical economic theory recognised to have a multiplier effect in a specific location. LCF as an LED approach was designed with the expectation that it would increase district growth and financial self-reliance which is also the vision for the national policy (GoR, MINALOC 2020). This expectation was valid since districts and municipality financial dependence remain crucial and discourage development-from-below (top-down consequences). For Rwanda up to 2019, the budgetary autonomy (self-financing) of districts stood at only 17.4%, so this expectation was relevant. Though the study did not manage to compute with accuracy and determine the LCF contribution due to the issue of limited data availability, the researcher was interested in calculating its effective contribution based on evidence: the findings showed that 30% more companies paid taxes to the districts. That is to say that the tax base was increased, and the profit increased up to 110% [171]. The researcher confirmed that the LCF intervention increased district economic growth by expanding the tax base and increasing taxes with increased profit (See 6.3.3).

7.2.3.4 How does LCF cater for pro-poor and inclusive objectives?

LCF is a pro-poor mechanism. This was seen generally to support local micro and small companies (99%). However, LCF interventions disproportionately affected informal (7.3% and weak companies in W1: 32.3%) compared to advanced and stronger companies (formal: 92.7% and W2: 67.7%), leading to LCF-beneficiary companies expressing different felt needs regarding the uses of the grants. In addition, there were trickle-down effects that arose out of learning from advanced companies. To illustrate, during LCF, 33.3% of informal companies became formal and all (100%) confirmed improvement in the use of technology and gaining profit as opposed to 22% before the LCF. Additionally, W1 companies appreciated the capacity-building sessions as the most

[171] Because the tax regime is "pay taxes as you earn profit" meaning that taxes increased accordingly

important support received from LCF while advanced companies in W2 appreciated the grant more. This was clear that LCF was a pro-poor and inclusive mechanism despite limited accessibility (only 7.3%) (See 6.3.4).

7.2.3.5 How did LCF improve local people's livelihoods and improved lives for all?

This was an expectation of this study to go beyond pure economic measurement and the inclusivity of the LED approach and explore whether it achieved its goal of "improved lives for all". First and foremost, LCF-beneficiary-company employees came from an average family of five members of whom 2.2 were employed, meaning that there was a dependency rate of 78.6%. [172]Furthermore, a good proportion of the jobs were occupied by vulnerable social categories, namely *Ubudehe* 1 & 2 (66%), and 60% by the youth (younger than 30 years). In the same manner, the research has also revealed that employee income from salaries of the companies directly covered 35% of the total living/basic needs of a family, that is to say, clothes, health insurance for HH members, and purchase of food and bank savings. Further, HH employees had improved their living conditions with the LCF and are generally better than EICV5 national indicators namely for health insurance 100% vs. 84%, HH savings 89.1% vs. 53.7%, energy for lighting 62.3% vs. 34.5 % respectively. LCF thus interventions improved lives for all, as was intended (see 6.3.5). It was clear that LCF included staff in the lower socioeconomic categories and HH experienced "improved lives for all" as per the aim of the LED. With the above, the researcher explored the second research objective and confirmed that LCF enhanced LED in terms of employment, local companies' development, inclusivity of local companies, district growth as well as the socioeconomic conditions of employees' households.

7.2.4 Criticism of LCF Design and Implementation and Improvement

Criticisms of LCF implementation were analysed to answer the following research questions:

a) What are the criticisms of LCF design and implementation and their effects on results?
b) What are the possible improvements in design and implementation practices of LCF that can increase LED results? (See 1.5).

[172] That is to say no working out of working members in the household= (2.8/2.2 =78.6%) see table 31 above.

The key findings were as follows:

7.2.4.1 Criticisms of LCF design and implementation and drawbacks

Though the LCF was appreciated by beneficiary companies and all KIs for the impact it brought, 13.7% of the respondents said it did not attain its objectives while all respondents (100%) confirmed the necessity of improvement of the programme. The delays and conditions for access led to negative effects namely loss of production and profits as well as decreases in the creation of potential jobs which could be improved if the budget was fully spent. The LCF as a pilot programme has some defects in its design and implementation that call for a revision.

7.2.4.2 Possible improvements

Beneficiary companies' KIs, based on the negative experience they had with the LCF, argued that immediate revision of the programme was necessary. The key areas that need revision are the inclusion of informal companies, reduction in conditions for operationalisation of the programme and avoiding delays in fund disbursement. Flexibility, adaptiveness and effective local participation are needed to improve the results. More recommendations are formulated in the next section.

To conclude, all SOs were crosschecked through answering the research questions that allowed the researcher to conclude that LCF is an appropriate model to ignite LED through supporting local business in Rwanda. Based on field research, the researcher can confirm without hesitation that the LCF programme is a LED powerful instrument that can reduce poverty and enhance local growth in Rwanda with significant contribution to national targets.

7.3 RECOMMENDATIONS AND POLICY IMPLICATIONS

As discussed in previous chapters, on the one side the findings and discussion identified key areas of LCF on both design and implementation that need improvement. The researcher believes that once the informed recommendations are implemented, they can bring about significant changes and spread many LED benefits to the local communities, to districts and to the country as a whole.

7.3.1 LCF redesign on eligibility criteria and effective operations

Critical challenges in the implementation of the LCF model were found in that it was limited to informal businesses and revisions were requested by 100% of the participant companies; thus:

- LCF redesign and implementation should allow more participation of informal groups. i.e. making it a condition for advanced companies to include partnerships and invest in mobilisation during the call launch and awareness campaigns as well as easing submission[173] for informal and poorly-resourced companies.

- Second, LCF design should limit or reduce the conditions[174] for access to funds, namely limiting additional accessing conditions for local companies after the Call design has been finalised.

- The LCF design should respect the beneficiary contracts and schedule in delivering disbursements and BDS to avoid delays that seriously hamper programme execution and expected results.

7.3.2 Government Intervention in LCF Implementation

- Government institutions should play the role of facilitator and not actor; that is to say that funds administration and BDS should be entrusted to other non-state actors to avoid confusion with regard to role sharing but also to avoid inefficiencies experienced in the implementation of both Calls of LCF.

- The GoR should effectively decentralise and reverse the trend in power relations and decision-making in LCF implementation; that is to say, give more decision-making power to the local level in deciding how to implement their LED strategies.

- The government of Rwanda should critically analyse the form of future LCF design to see whether it can continue to be a matched grant, equity or loan or a hybrid financial model.[175]

[173] All submission were made online and calls related to communication which is not appropriate for local MSMEs.
[174] A guarantee condition that delayed disbursement was added/imposed at the end of the selection process.
[175] Grants are an inclusive mechanism but go with some challenges and conditionalities. Grants also can create financial market distortion and especially in the Rwandan context they contradict the social protection financial model (see 3.5.4.1)

- In economic policy and priority alignment, the MiR policy and LED strategy are complementary; therefore, it would be relevant that the LCF national rollout should support the MiR priority sectors (light manufacturing, garment and textiles, agro-processing and construction materials). Similarly, given the drive towards agricultural transformation, a review of priority sectors under PSTA 4 would require attention, namely piggery, poultry and export/cash crops. This might make a significant contribution to enhancing employment and domestic market competitiveness with high-quality products.

7.3.3 LCF Knowledge Management and Sustainability

Referring to LCF design and governance (6.2.2 & Table 21), LCF programme implementation did not effectively engage with other key public institutions that could not only learn from it but also inspire and improve its operations by having more results to feed into national policies. Those are namely the Ministry of Commerce and Trade and some other affiliated agencies such as the NIRDA that could fuel R&D[176] for industrial knowledge management as well as Rwanda Development Board (RDB) whose mandate is business development. It would be useful therefore if the LCF programme as a national LED policy action could be linked to relevant institutions and ministries in charge of SMEs incubation, research, and market development. This would inform policies, and enhance learning benefits, ownership and sustainability.

7.4 AREAS FOR FURTHER RESEARCH

The LED approach lacks a coherent theoretical body. Furthermore, the changing environment in the LED context also brings many changes to the economic development process at all levels. For these reasons, the following are potential areas for further research:

1. This research was undertaken while full effects of LCF programmes were not yet observed, that is to say, that Call 2 was still under implementation. This did not allow for a full evaluation of the LCF intervention results on both Calls. Therefore, similar research after all beneficiary companies will have exhausted their grant funding could be undertaken to determine the full impact, of LCF, its multiplier effects and sustainability.

[176] Research and development.in Rwanda, industrial research falls under NIRDA mandates while SMEs development falls under RDBs.

2. From the end of the year 2019 to 2020, the Covid-19 pandemic affected all countries including Rwanda and the LCF-beneficiary companies. Thus, another opportunity would be to examine to what extent Covid-19 pandemic lockdown and social distancing measures have affected the LCF-beneficiary companies.

3. A comparative study of financing models for SMEs between LCF as grant and other forms namely loans, guarantees, or equity to compare benefits of programmes and their respective impact on the LED.

Generally, the researcher hopes that the attempt to investigate LCF and LED in Rwanda will stimulate more research on this important and new area of knowledge.

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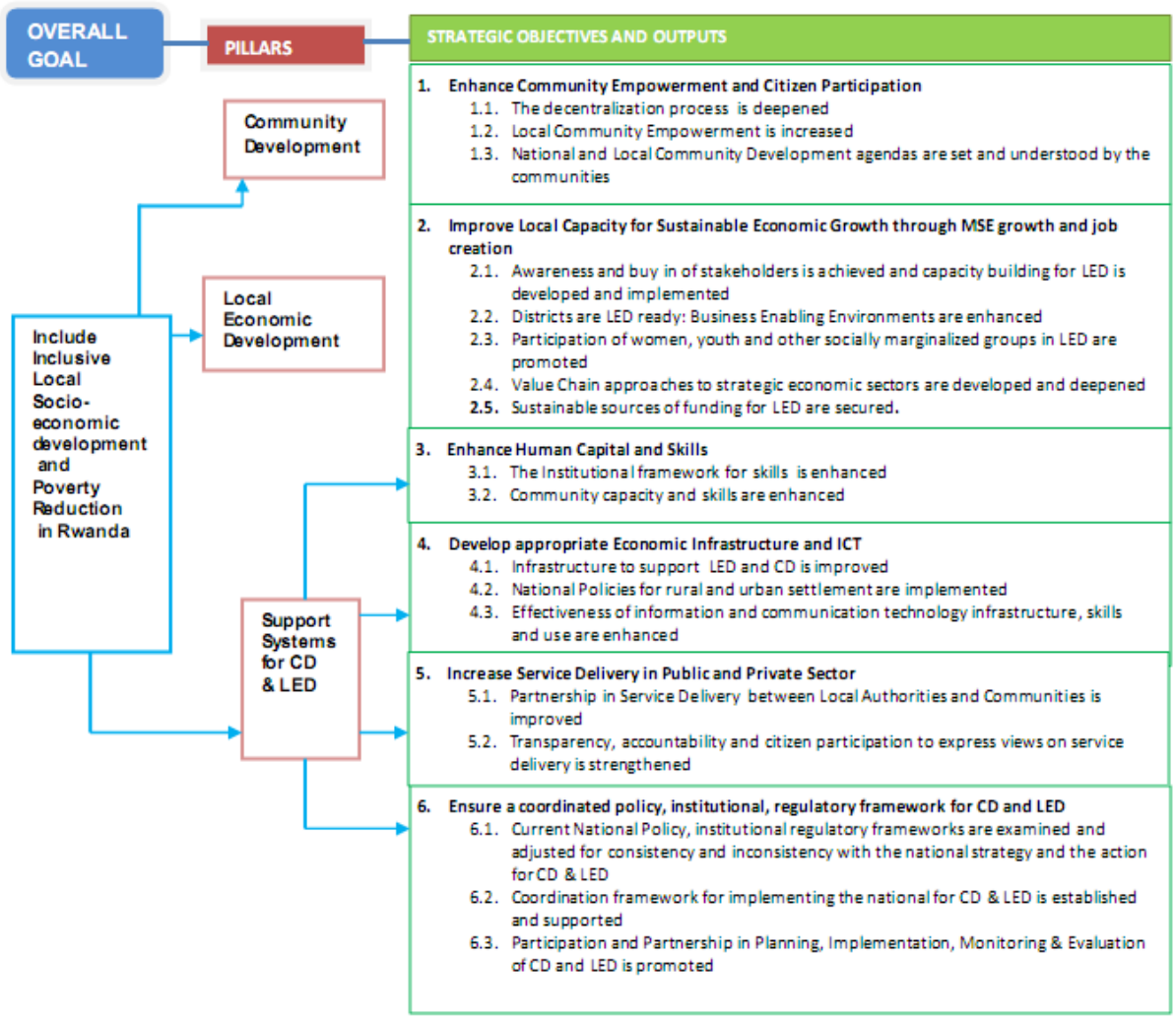
APPENDICES

APPENDIX 1: STRUCTURE OF NATIONAL COMMUNITY DEVELOPMENT AND LOCAL ECONOMIC DEVELOPMENT STRATEGY 2013-2018



Source. (MINALOC 2012:2)

APPENDIX 2: RWANDA MACRO-ECONOMIC INDICATORS

1-LED back ground in Rwanda and key indicators (MINALOC/National CD & LED Strategy 2018)

Indicators	Baseline	Progress
GDP per capita (USD)	698 in 2012	729 in 2016
Poverty (%)	44.9 in 2010/11	39.1 in 2013/14
Extreme poverty (%)	24.1 in 2010/11	16.3 in 2013/14
Loans to private sector	RWF290 billion in 2012	RWF701 billion in 2016
Area covered by radical terraces (ha)	45, 000 ha in 2010	107, 281 ha in 2016
% of Households with improved sanitation facilities	74.5% in 2012	83.5% in 2015
% of Financial inclusion	48% in 2008	89% in 2015
Area covered by progressive terraces	504,000 ha	917, 130 ha
% of farmers using inorganic fertiliser	9.3% (2012/13)	22%
% of farmers using improved seeds	40% in 2012/2013	52%%
Number of cows distributed (under Girinka Programme)	134,548 from 2006 to 2010/11	296,230 from 2010-2017 (85% of the targeted 350,000)
Number of milk collection centres constructed	40	100
Number of slaughter houses constructed	2	16
total strategic grain reserves of maize and beans	65% in 2013/14 (15000 MT)	94.15% in 2014/15
Private investment facilitation and attraction was strengthened	387m $ in 2010	1.2 bn$ in 2016)
Registration of private company	6 days in 2010	2 hours in 2016
Number of non-agricultural jobs created	1 400 000 (2010/11)	146,000 (73% of the target of 200,000)
Number of TVET registered	63 in 2010	392 TVETs in 2016
Number of students enrolled in TVET Institutions (VTCs, TSSs and Technical Tertiary Institutions)	67,919 in 2011	116,292 in 2016

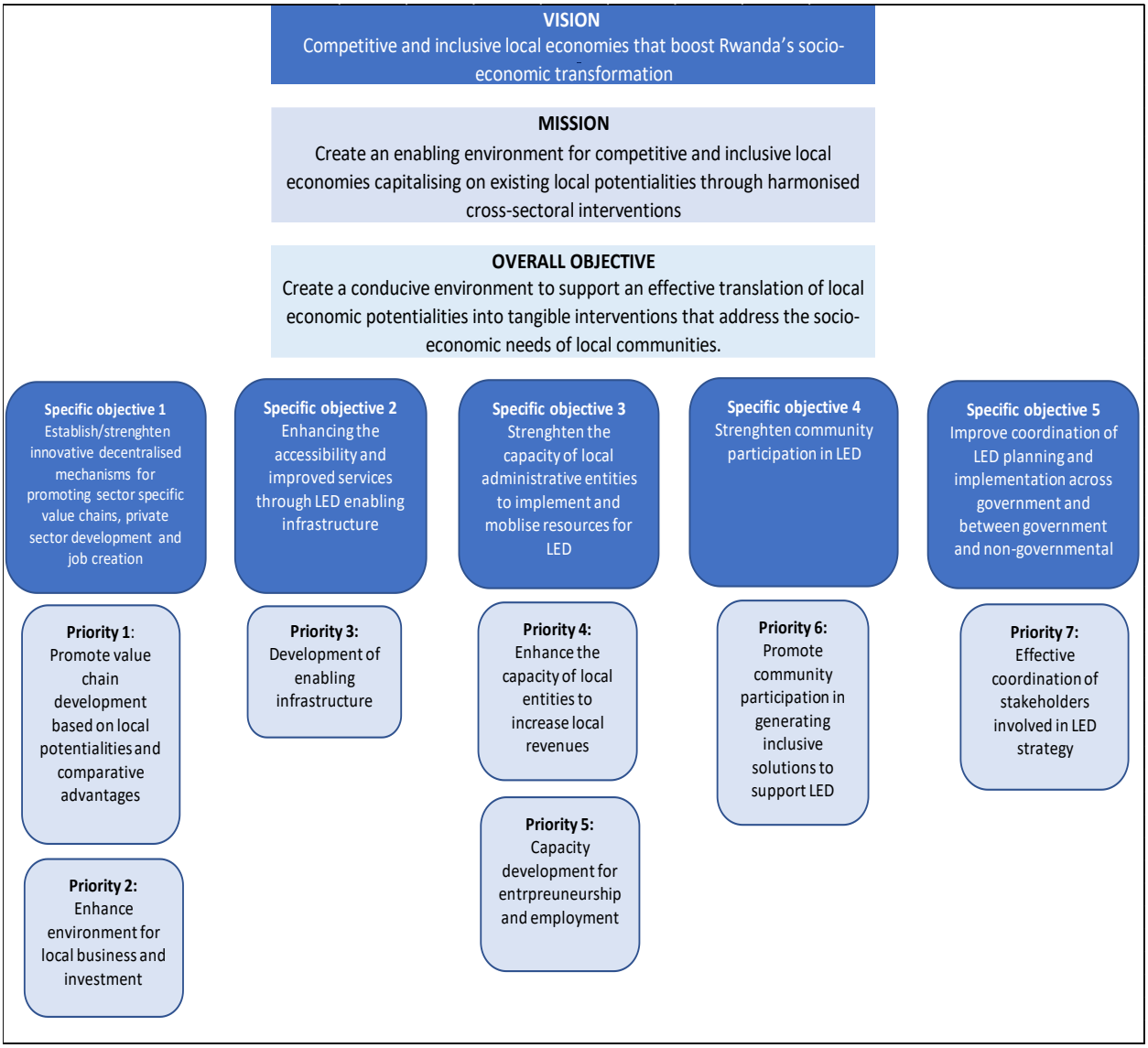
NB: (1RWF= USD 0.0010)

2-Projection of Rwanda Macro-economic indicators 1985 to 2023 (IMF, April 2018)

Subject Descriptor	1985	1990	1995	2000	2005	2010	2015	2018	2020	2023

GDP, constant prices	4.388	0.419	24.541	8.353	9.381	7.319	8.873	7.2	8	7.5
GDP, current prices	3.398	3.96	2.956	4.997	8.282	13.579	21.24	26.9	32.7	42.9
GDP per capita, current prices	617.712	613.706	540.656	666.703	937.578	1,357.9	1,883.9	2,225.2	2,570.4	3,131.7
Inflation, average consumer prices	1.729	4.202	55.967	3.908	9.122	2.306	2.507	2.833	5	5
General government gross debt	n/a	n/a	119.51	102.527	67.138	19.963	33.354	41.335	42.546	39.54

APPENDIX 3: SUMMARY PRESENTATION OF RWANDA NATIONAL LED STRATEGY 2018-2024

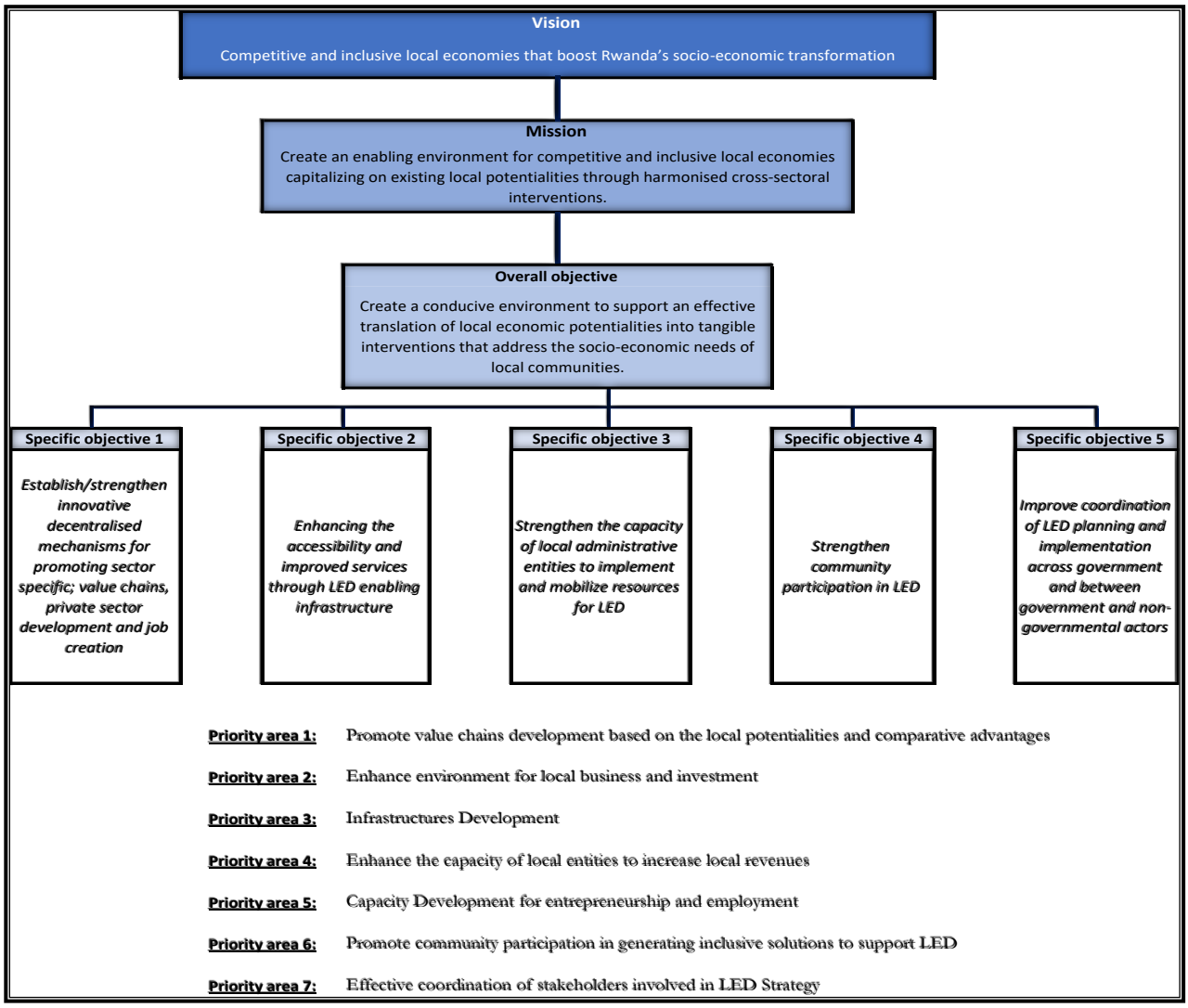


APPENDIX 4: ECONOMIC INDICATORS OF RWANDA: TRADE (WTO –WB 2018)

Foreign Trade Indicators	2013	2014	2015	2016	2017
Imports of Goods (million USD)	2,302	2,563	2,570	2,293	1,963
Exports of Goods (million USD)	703	723	659	744	1,189
Imports of Services (million USD)	511	397	427	1,062	904
Exports of Services (million USD)	393	325	352	851	729
Imports of Goods and Services (Annual % Change)	9.6	14.6	34.7	-1.1	10.1
Exports of Goods and Services (Annual % Change)	18.6	7.2	6.2	13	33.5
Trade Balance (million USD)	-1,151	-1,269	-1,237	-1,310	-872
Foreign Trade (in % of GDP)	46	47.6	52.5	48	51
Imports of Goods and Services (in % of GDP)	31.9	32.9	38.3	33.1	32.8
Exports of Goods and Services (in % of GDP)	14.1	14.7	14.2	14.9	18.2

(https://import-export.societegenerale.fr/en/country/Rwanda/trade-indicators#classification_by_products)

APPENDIX 5: SUMMARY OF NATIONAL LED STRATEGY 2018-2024



Source: National LED strategy 2018-2024: 143

APPENDIX 6: MAIN POTENTIALITIES FOR THE STUDY DISTRICTS

Key potential sectors	Potentialities branding the districts; Year 2020			
	Gakenke	Rutsiro	Nyagatare	Giasagara
I. Agriculture potentials (Soil marshland and Livestock)	Maize, coffee, sweet potatoes, Irish potatoes, peas, horticulture, beans, sweet; potatoes, horticulture (Passion pineapple) production beans, banana, sweet potatoes,	Rice, soybeans, milk, maize, sorghum, wheat, cassava, sweet potatoes, Irish potatoes, banana, beans, peas, vegetables, fruits, coffee and tea then Milk, Honey and fish production	Maize, banana, horticulture, cattle and milk, soybeans, coffee	Maize, rice, cassava, beans, ground nuts, horticulture, cassava, coffee soybean, milk production
II. Mines and quarries	Clay, coltan, sand stones, wolfram, coltan Clay,, cassiterite, stones and sand quarries	Coltan, Cassiterite, stones, sand and clay	Cassiterite, wolfram, coltan, granites, sand, clay and stones	Wolfram, coltan, casseterite, sand, clay and stones
III. Tourism	Arts and crafts, about 4 touristic sites	Arts and crafts, about 9 main touristic sites	National parks, historical sites, hospitality	About 4 touristic sites

Source: Districts Potentialities, Branding and Marketing strategy, Report 2020: 10-18, Nyagatare DDS 2018/2024 (P 17-18), Gakenke DDS 2018/2024 (P15 &33), Gisagara DDS 2018/2024 (P11-12)

APPENDIX 7: FIELD DATA COLLECTION AUTHORISATION LETTERS OF RUTSIRO AND GAKENKE DISTRICTS

DISTRICT DE GAKENKE
SECRETARIAT CENTRAL
02 OCT 2019
BOUR RECEPTION
Signature

Jean Pierre HAKIZIMANA
Student University of South Africa (UNISA)
National Technical Adviser-LED
LODA-KIGALI
Tel. 0788304990
Email: hakizimanajp@gmail.com

Kigali, Kuwa 30.09.2019

Bwana/Madam Mayor
Akarere ka....GAKENKE

Bwana /Madam Mayor,

Impavu : Gusaba ubufasha mu bushakashatsi

Nejejewe no kubandikira iyi baruwa ngirango mbasabe ubufasha mu gukora ubushakashatsi bwo gusoza amashuri y'icyiciro cya 3 cya kaminuza (PhD) mu bijyanye n'Iterambere ry'Ukungu muri Kaminuza ya Africa y'epfo (UNISA), kuva 01 kugeza 18.10.2019.

Mu by'ukuri, ubu bushakashatsi buzakorerwa ku mishinga imwe yatoranyijwe (Sample) mu turere twa **Gisagara, Rutsiro, Gakenke na Nyagatare** nk'uko yatewe inkunga na LODA muri gahunda ya **Local Competitiveness Facility (LCF)**, umushinga wo gushyigikira ubufatanye bw'abikorera. Ubu bushakashatsi bugamije kureba impinduka k'ubukungu zazanywe n'uyu mushing uri mu igerageza mu Rwanda, kureba ingorane zaba zarabeyeho mu kuwushyira mu bikorwa kugirango amakuru azavamo azafashe kuwunoza no kwihutisha itembere.
Muri urwo rwego, ibibazo bizabazwa birebana n'uko umushinga washyizwe mu bikorwa, impinduka zabaye mu bigo byahawe inkunga ndetse no mu bagenerwabikorwa ndetse no kwakira ibitekerezo kubikwiye guhinduka ngo umushinga ugende neza kurushaho.
Abakarani b'ibarura bazafasha muri iki gikorwa ni aba bakurukira:

Amazina	Telephone
Charles HABINSHUTI	0788623594
Edison MUNYEMANA	0788834555
Scholastique TWAGIRUMUKIZA	0783304615
Louis MUPENZI TWIZEYIMANA	0784494411
Paulin MUTABARUKA	0788462597
Jean Pierre HAKIZIMANA	0788304990

Tubandikiye rero tubamenyesha iby 'iki gikorwa tunabasaba ubufasha kugirango kizagende neza.

Turabashimiye mugire akazi keza.

Jean Pierre HAKIZIMANA
PhD Student UNISA

CENTRAL SECRETARIAT
RUTSIRO DISTRICT
02 OCT 2019
N° of Doc:.....
Received by:.....

Jean Pierre HAKIZIMANA
Student University of South Africa (UNISA)
National Technical Adviser-LED
LODA-KIGALI
Tel. 0788304990
Email: hakizimanajp@gmail.com

Kigali, Kuwa 30.09.2019

Bwana/Madam Mayor
Akarere ka....RUTSIRO

ISSA
For facilitati
Mayor

Bwana /Madam Mayor,

Impavu : Gusaba ubufasha mu bushakashatsi

Nejejewe no kubandikira iyi baruwa ngirango mbasabe ubufasha mu gukora ubushakashatsi bwo gusoza amashuri y'icyiciro cya 3 cya kaminuza (PhD) mu bijyanye n'Iterambere ry'Ukungu muri Kaminuza ya Africa y'epfo (UNISA), kuva 01 kugeza 18.10.2019.

Mu by'ukuri, ubu bushakashatsi buzakorerwa ku mishinga imwe yatoranyijwe (Sample) mu turere twa **Gisagara, Rutsiro, Gakenke na Nyagatare** nk'uko yatewe inkunga na LODA muri gahunda ya **Local Competitiveness Facility (LCF)**, umushinga wo gushyigikira ubufatanye bw'abikorera. Ubu bushakashatsi bugamije kureba impinduka k'ubukungu zazanywe n'uyu mushing uri mu igerageza mu Rwanda, kureba ingorane zaba zarabeyeho mu kuwushyira mu bikorwa kugirango amakuru azavamo azafashe kuwunoza no kwihutisha itembere.
Muri urwo rwego, ibibazo bizabazwa birebana n'uko umushinga washyizwe mu bikorwa, impinduka zabaye mu bigo byahawe inkunga ndetse no mu bagenerwabikorwa ndetse no kwakira ibitekerezo kubikwiye guhinduka ngo umushinga ugende neza kurushaho.
Abakarani b'ibarura bazafasha muri iki gikorwa ni aba bakurukira:

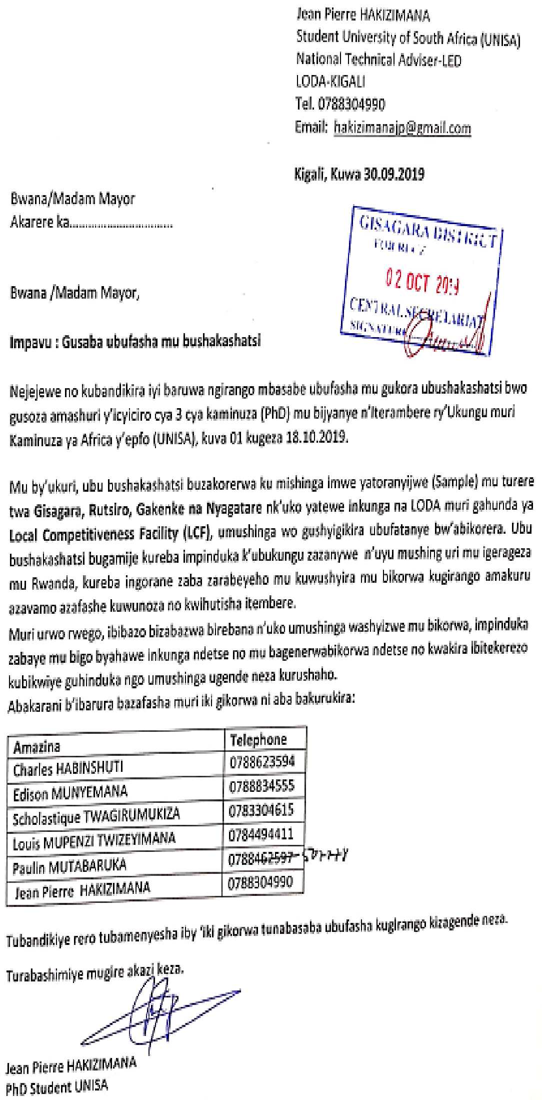
Amazina	Telephone
Charles HABINSHUTI	0788623594
Edison MUNYEMANA	0788834555
Scholastique TWAGIRUMUKIZA	0783304615
Louis MUPENZI TWIZEYIMANA	0784494411
Paulin MUTABARUKA	0788462597
Jean Pierre HAKIZIMANA	0788304990

Tubandikiye rero tubamenyesha iby 'iki gikorwa tunabasaba ubufasha kugirango kizagende neza.

Turabashimiye mugire akazi keza.

Jean Pierre HAKIZIMANA
PhD Student UNISA

APPENDIX 8: FIELD DATA COLLECTION AUTHORISATION LETTERS OF NYAGATARE AND GISAGARA DISTRICTS



Jean Pierre HAKIZIMANA
Student University of South Africa (UNISA)
National Technical Adviser-LED
LODA-KIGALI
Tel. 0788304990
Email: hakizimanajp@gmail.com

Kigali, Kuwa 30.09.2019

Bwana/Madam Mayor
Akarere ka……………………………

GISAGARA DISTRICT
02 OCT 2019
CENTRAL SECRETARIAT

Bwana /Madam Mayor,

Impavu : Gusaba ubufasha mu bushakashatsi

Nejejewe no kubandikira iyi baruwa ngirango mbasabe ubufasha mu gukora ubushakashatsi bwo gusoza amashuri y'icyiciro cya 3 cya kaminuza (PhD) mu bijyanye n'Iterambere ry'Ukungu muri Kaminuza ya Africa y'epfo (UNISA), kuva 01 kugeza 18.10.2019.

Mu by'ukuri, ubu bushakashatsi buzakorerwa ku mishinga imwe yatoranyijwe (Sample) mu turere twa **Gisagara, Rutsiro, Gakenke na Nyagatare** nk'uko yatewe inkunga na LODA muri gahunda ya **Local Competitiveness Facility (LCF)**, umushinga wo gushyigikira ubufatanye bw'abikorera. Ubu bushakashatsi bugamije kureba impinduka k'ubukungu zazanywe n'uyu mushing uri mu igerageza mu Rwanda, kureba ingorane zaba zarabeyeho mu kuwushyira mu bikorwa kugirango amakuru azavamo azafashe kuwunoza no kwihutisha itembere.

Muri urwo rwego, ibibazo bizabazwa birebana n'uko umushinga washyizwe mu bikorwa, impinduka zabaye mu bigo byahawe inkunga ndetse no mu bagenerwabikorwa ndetse no kwakira ibitekerezo kubikwiye guhinduka ngo umushinga ugende neza kurushaho.

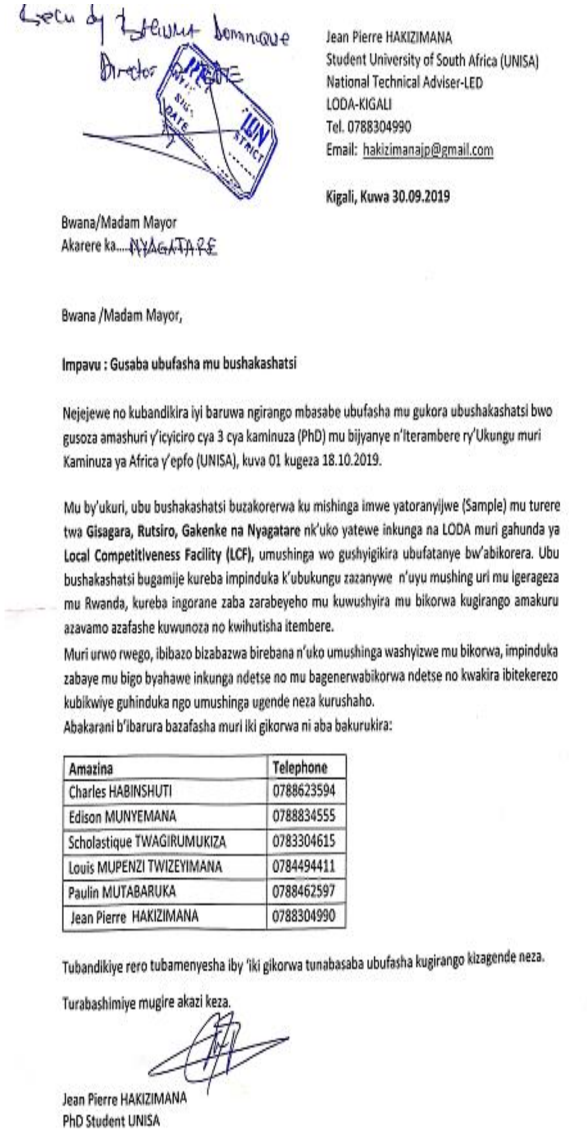
Abakarani b'ibarura bazafasha muri iki gikorwa ni aba bakurukira:

Amazina	Telephone
Charles HABINSHUTI	0788623594
Edison MUNYEMANA	0788834555
Scholastique TWAGIRUMUKIZA	0783304615
Louis MUPENZI TWIZEYIMANA	0784494411
Paulin MUTABARUKA	~~0788462597~~ 570777
Jean Pierre HAKIZIMANA	0788304990

Tubandikiye rero tubamenyesha iby 'iki gikorwa tunabasaba ubufasha kugirango kizagende neza.

Turabashimiye mugire akazi keza.

Jean Pierre HAKIZIMANA
PhD Student UNISA



Seen by … Dominique
Director

Jean Pierre HAKIZIMANA
Student University of South Africa (UNISA)
National Technical Adviser-LED
LODA-KIGALI
Tel. 0788304990
Email: hakizimanajp@gmail.com

Kigali, Kuwa 30.09.2019

Bwana/Madam Mayor
Akarere ka…. NYAGATARE

Bwana /Madam Mayor,

Impavu : Gusaba ubufasha mu bushakashatsi

Nejejewe no kubandikira iyi baruwa ngirango mbasabe ubufasha mu gukora ubushakashatsi bwo gusoza amashuri y'icyiciro cya 3 cya kaminuza (PhD) mu bijyanye n'Iterambere ry'Ukungu muri Kaminuza ya Africa y'epfo (UNISA), kuva 01 kugeza 18.10.2019.

Mu by'ukuri, ubu bushakashatsi buzakorerwa ku mishinga imwe yatoranyijwe (Sample) mu turere twa **Gisagara, Rutsiro, Gakenke na Nyagatare** nk'uko yatewe inkunga na LODA muri gahunda ya **Local Competitiveness Facility (LCF)**, umushinga wo gushyigikira ubufatanye bw'abikorera. Ubu bushakashatsi bugamije kureba impinduka k'ubukungu zazanywe n'uyu mushing uri mu igerageza mu Rwanda, kureba ingorane zaba zarabeyeho mu kuwushyira mu bikorwa kugirango amakuru azavamo azafashe kuwunoza no kwihutisha itembere.

Muri urwo rwego, ibibazo bizabazwa birebana n'uko umushinga washyizwe mu bikorwa, impinduka zabaye mu bigo byahawe inkunga ndetse no mu bagenerwabikorwa ndetse no kwakira ibitekerezo kubikwiye guhinduka ngo umushinga ugende neza kurushaho.

Abakarani b'ibarura bazafasha muri iki gikorwa ni aba bakurukira:

Amazina	Telephone
Charles HABINSHUTI	0788623594
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Jean Pierre HAKIZIMANA	0788304990

Tubandikiye rero tubamenyesha iby 'iki gikorwa tunabasaba ubufasha kugirango kizagende neza.

Turabashimiye mugire akazi keza.

Jean Pierre HAKIZIMANA
PhD Student UNISA

APPENDIX 9: QUESTIONNAIRE FOR LCF-BENEFICIARY COMPANIES

#	Section 0. Introduction	Question type	Predefined possible answers	Answer required
1	Hello Sir/Madam, I am called …….., I am the data collector, part of the team working a research on LCF programme in this district. LCF is Local Competitiveness Facility (Ikigega gitera inkunga imishinga y'Ubufanye bwa ba Rwiyemezamirimo) in four districts of Rwanda (Rutsiro, Nyagatare, Gakenke and Gisagara). LCF supports projects working on same value chain, with objectives to increase local economic development by job creation and business development. This is a purely academic research with intent to assess whether LCF programme contributed to development in the pilot district on companies growth, and livelihoods of staff as well as district economy as per its objectives. The research findings will serve for academic purpose but also will be shared with relevant institutions at both district and national level to improve LCF design for reducing poverty namely through job creation and business development. This research respects the privacy of respondents and only data averages will be used.			
2	Have you been informed about this interview? Do you agree to participate in this survey? (informed consent)	Acknowledgement	Acknowledged	Yes
3	Name of the enumerator	choose one	Charles HABINSHUTI	
			Edison MUNYEMANA	
			Jean Pierre HAKIZIMANA	
			Scolastic TWAGIRUMUKIZA	
			MUPENZI TWIZEYIMANA Louis	
			Paulin MUTABARUKA	
4	Date of the survey			
5	Starting time			
	SECTION 1: Information about the respondent			
6	Location	Choose one district	Nyagatare	
			Rutsiro	
			Gakenke	
			Gisagara	
7	Location for the company	Put name /texts	Sectors	
			cell	
			Village	
8	Call		Call1	
			Call 2	
9	Window		W1	
			W2	
10	Company name	Choose one	Sclore per district	
11	Function in the partnership		Applicant	
			Partner	
12	Names of the respondent	Text	-	No
13	Contact (Phone)	Text		Yes
14	Gender	Select one	Male	
			Female	
15	Function in the company/ Co-op/NGO/TVET	Select one	Owner	Yes
			President	
			Manager	
			Professional staff	
			Labour	

16	Experience with the company (Years)	Choose one	Less than 1 Year	
			From 1 to 2 years	
			From 2 years to 3	
			Above 3 years	
	SECTION 2. Information about the Business			
17	Economic sector	select one	Agro-processing	Yes
			Handcraft	
			Tourism	
			ICT	
			Distribution & services	
18	Company type	choose one	Company	Yes
			Cooperative	
			NGO	
			TVET	
19	Company Status/ registration	choose one	Formal	
			Informal	
20	If formal, when did you register?		During application	
			Before application	
21	If informal when to formalise?	choose one	During LCF implementation / Since 2018 to date	
			After LCF implementation	
			Do not know /not planned	select all steps applicable for each company in partnership
22	Age of the business / Length of operations	Text	Less than 1 year	
			More one year -3years	
			Above 3 years	
23	No of members/Shareholders (Owners)	Give number	Men	
			Women	
			Total	
24	Is your company/cooperative member of PSF?		Yes, No	
	SECTION 3. Value chain development			
25	Current value chain segment	select all steps applicable for each company in partnership	Raw material provision	
			Processing	
			Packaging	
			Transport or distribution	
			Selling	
			others (specify)	
26	Number of products (currently)	number	-	
27	New products/services to add with LCF /since 2016/2018?	number		
28	Did you improve your technology since LCF /2016/2018?	Choose one	Yes	
			No	
29	If yes precise	Chose all applicable	New production equipment	
			New skills	
			ICT/ Equipment & communication	
			Production process	
			others (specify)	
30	How much money of Grant your company received from LCF	Number (RWF)		

31	Purpose of the received grant	choose multiple	Equipment/technology improvement	
			Increase of working capital/stock /raw material	
			Invest in skills (Cost for Trainings)	
32	Consumption rate of the LCF Grant	Amount (RWF)		
	SECTIOIN 4. Partnership development			**Answer required**
33	Did you have a partnership together before LCF? 2016/2018	Select one	Yes	**Currently (2019) /Before LCF**
			No	
34	Formalising the company/ cooperative	Select one	Were formal before application	
			Became formal for applying/2016/2018	
			Informal at moment of applying but now formal	
			Currently informal and planning to become formal during LCF support	
			Currently informal and no plans to formalise	
35	How many partnerships did you enter in since LCF/2016/2018 to date?	Number		
36	**Are you still In partnership as you applied for LCF Grant?**		**Yes**	
			No	
37	Did you remain in partnership/ after LCF? (Yes?No)	Choose		Skip for Call 2
38	**If yes?**		Continued with a consensus without written agreement	
			Renewed with written agreement	
			Formed a joint-venture business	
			Other, specify (open answer option)	
	SECTION 5. Employment and Wages			**Answer required**
	5.1 Employees and wages	***Total***	***Women***	**Cat 1 & 2**
39	Total No of staff you have currently 2019 (Permanent + Temporary)			
40	Total No of staff you had before LCF (Permanent + Temporary)			
41	Currently employed permanent staff (longer than 6 months per year) All staff			
42	Currently employed permanent workers (longer than 6 months per year) - Office/Administrative & Managers			

43	No of permanent workers (longer than 6 months per year) - Office/Administrative & Managers you had before LCF			
44	**Currently employed temporary workers (0-6 months per year) - Workers/Labourers**			
45	No of employed temporary workers (0-6 months per year) - Workers/Labourers you had before LCF			
46	Current Number of staff with formal contract (written and signed) (permanent + temporary)			
47	Number of staff with formal contract (written and signed) (permanent + temporary) before /LCF			
	5.2 Wages of permanent staff	**Currently (2019)**	**Before LCF 2016/2019**	
48	Monthly average salary of most workers/ labourers that are permanent staff members			
49	Monthly average salary of most administrative staff/ office workers that are permanent staff members			
50	Average monthly salary of managers that are permanent staff members? (if voluntary: per diems)			
51	Do you pay same salary for male and female on same position and working time?	select one	Yes	
			No	
52	if no, on which position	Choose multiple	Labourers	
			Admin/office staff	
			Managers	
53	Which gender is paid less?		Male	
			female	
54	why?	Choose multiple	Low productivity	
			Because they are female/male (Gender)	
			Other/ specify	
	5.3 Wages of temporary staff	**Currently**	**Before LCF**	
55	Average daily salary of most workers/ labourer that are temporary staff members			
56	Average daily salary of administrative staff/ office workers temporary at are t staff members			
57	Average daily salary of managers that are temporary staff members?			
58	If work on commission, what is the price workers are paid per			

	item produced/service provided (most prevalent products/ services)?			
59	Specify item			
60	Do you expect to review salaries in one year ahead?		Yes	
			No	
61	If yes which percentage of increase (%)?			
	SECTION 6. Turnover and profit	**Question type**	**Predefined possible answers**	**Answer required**
62	What was your turnover last year (January-December 2018)?	Annual amount of sales	Type	
63	Did you get a profit?	Select one	Yes	
			No	
64	If Yes how much (net profit)?	Amount (- or +)	Text	
65	Did you realise a profit before LCF (2016/2018?)	Select one	Yes	
			No	
66	If Yes	Amount (RWF)		
67	What is the current value of your business?	Amount in RWF		
68	Do we expect to increase production and sales in one year ahead?	Yes or no	Yes	
			No	
	SECTION 7. Market access and business expansion	**Question type**	**Predefined possible answers**	**Answer required**
69	Do you expect access new market with LCF support? / CG no support?	Select one	Yes	
			No	
70	Do you do some marketing activities/initiatives with expenses?	Marketing	Yes	
			No	
71	Do you do some marketing activities/initiatives with expenses? Before LCF/ 2016/2018?	Marketing	Yes	
			No	
72	If yes Types of marketing activities you do in your business	Select many possible	Radio/TV	
			Newspaper	
			Online newsletter	
			Other public media	
			Sign board	
			Brochure and Business cards	
			House-to-house/ mouth	
			Other specify	
73	Did you open a new market/selling points since LCF /Since 2016/2018?		Yes	
			No	
74	If yes, how many?	number		
	SECTION 8. Financial management capacity	**Marketing**	**Currently 2019 /Before LCF**	
75	Do you have a financial report? (for last year/quarter?)	select many possible	Annual (2018)	
			Quarterly	
			Both	
			None	
76	Type of book keeping system	Select one	We have some records	

			We have key books for financial management	
			We have not any	
77	Does your company/co-op have a person in charge of bookkeeping /accountant?	Select one	Yes	
			No	
78	In which area did you acquire additional managerial capacity?	Select as many as are applicable	*General business management*	
			General financial management	
			Bookkeeping	
			Budgeting	
			Marketing	
			Project management	
			Reporting	
			Entrepreneurial skills	
			Registration of business/cooperatives	
			Partnership and conflict resolution	
			Gender responsiveness	
	SECTION 9. LED IMPACT			
	9.1 LED Pro-poor impact		**Currently 2019**	
79	Does your staff have insurance	Choose one	All staff have insurances	
			Some staff have insurances	
			All family members have insurances	
			Some family members have insurances	
			None of the staff or family members have insurances	
80	No of Staff paid on bank account	number		
81	How many staff who do savings (Abizigamira)	number		
	9.2. Taxes payment	**Currently**	**Before LCF**	
82	Does your company pay Taxes	Select one	Yes	
			No	Skip
83	If yes where do you pay taxes	Select one	RRA	
			Sector/District	
			Both	
	9.3. Impact in the district/growth pole/ Partnerships	**Currently**	**Before LCF**	
84	Is your company connected to other businesses for economic partnership thanks to LCF?	Select one	Yes	
			No	
85	If Yes, how many?	Number	Formal business	
			Individuals /Individual business	
			Total	
86	Relationship with our businesses/ enterprises	Select multiple	Take our raw material	
			Supply to us raw material	
			Transport service	
			Wholesaler/products /services	
			Retailer of our products	
			other /specify	
87			Outside of Rwanda	

	Location of companies in partnership	Number per administrative entity	Same country different provinces	
			same Province different district	
			same District different sector	
			same Sector	
	SECTION 10. LCF design assessment			
	10.1. Impact of LCF		**Predefined possible answers**	**Answer required**
88	Did LCF attain its intended objective in your company	Choose 1	Yes	
			No	
89	If Yes	Choose multiple	Increase Profit	
			Improve technology/New equipment	
			Increase of sales/Market	
			Knowledge HR / Financial Management	
			Others specify	
90	If not, why?	Specify		
	10.2. LCF project negative experience			
91	Is there any negative experience with LCF that affected your business	Choose 1	Yes	
			No	
92	If yes	Multiple choice	Delays in disbursement	
			Long procedures	
			Conditionalities for access	
			Delayed feedback	
			Multilevel directives /misleading	
			Too much control/upperhand	
			Not-interesting or not answerable training	
			Many reports	
			Others/ specify	
93	How did it affect your business?		Stop /slowed our production pace	
			Unrespect of our initial plan	
			Others/ specify	
			No impact generated/ neutral effect	
	10.3 Improvement of LCF Model			
94	Do you think LCF should change or improve in its design /practice?		Yes	
			No	
95	If yes what are the needed changes		Ease eligibility and access	
			Ease disbursement	
			Reduce conditionalities of access	
			others/ specify	
96	LCF is built on Partnership, grant and capacity-building, what contributed the most in your business growth		Rank (1, 2, 3)	

97		Ranking (1,2,3)	Grant	
			Training/Capacity-building	
			Partnership in business	
98	GPS	coordinate		
99	**2. Ending time**			

APPENDIX 10: QUESTIONNAIRE FOR EMPLOYEES OF LCF-BENEFICIARY COMPANIES

	SECTION 0. Introduction	Question type	Predefined possible answers
1	Hello Sir/Madam, I am called ……, I am the data collector, part of the team working a research on LCF program in this district. LCF is Local Competitiveness Facility (Ikigega gitera inkunga imishinga y'Ubufanye bwa ba Rwiyemezamirimo) in 4 districts of Rwanda (Rutsiro, Nyagatare, Gakenke and Gisagara). LCF supports projects working on same value chain, with objectives to increase local economic development by job creation and business development. This is a purely academic Research with intent to assess whether LCF program contributed to development in the pilot district on companies growth, and liverihoods of staff as well as district economy as per its objectives. The research findings will serve for academic purpose but also will be shared with relavant insitutions at both district and national level to improve LCF design for reducing povery namely through job creation and business development. This research respects the privacy of respondents and only data averages will be used.		
2	Have you been informed about this interview ? Do you agree to participate in this survey? (informed consent)	Acknowledgement	acknowledged
3	Name of the enumerator	choose one	Charles HABINSHUTI Edison MUNYEMANA Jean Pierre HAKIZIMANA Scolastic TWAGIRUMUKIZA Paulin MUTABARUKA
SECTION 1: Information about the respondent			
4	Location	Choose one district	Nyagatare Rutsiro Gakenke Gisagara
5	Call	Select one	Call1 Call 2
6	window	Select one	W1 W2
7	Employing company name	Chose one	Sclore per district
8	Company Function in the partnership		Applicant Partner
9	Names of the respondent		Text
10	Contact (Phone)		text
11	Gender	select one	Male Female
12	Function in the company/Coop/NGO/TVET	select one	Owner President Manager Professional staff Labourer
13	Experience with the company (Years)	Choose one	Less than 1 Year From 1 to 2 years From 2 years to 3 Above 3 years

14	Distance from Home to working place	Choose one	Less than 200 m
			Between 200 to 0.5 Km
			0.5 km -1 km
			1 km -3 km
			3 km -5 km
			Above 5 km
15	Means of transport to work	Choose one	Walking /by feet
			Bicycle
			Moto bike
			Car /taxis
			Combination 1 & the remaining
SECTION 2. Information about the Business			
16	Economic sector	Select one	Agro- processing
			Handcraft
			Tourism
			ICT
			Distribution & services
17	Company type	Choose one	Company
			Cooperative
			NGO
			TVET
18	Company Status/registration	Choose one	Formal
			Informal
19	Age of the business / Length of operations	Text	Less than 1 year
			More one year -3years
			Above 3 years
SECTION 3. Information about the respondent /demographics			
20	Names of the respondent	Text	-
	Gender	Select one	Male
			Female
21	Marital status	Select one	Maried
			Single,
			Widower
			separated
22	Function in the household	Select one	HHH/Household Head
			Parent (Wife or husband)
			Child
			Relative of the host family
			Live alone
23	Age of the respondent	Select one	18-20
			21-30
			31-40
			41-50
			51-60
			Above 60
24	Education of respondent - Staff	Select one	Illiterate
			Literate (can read and write)
			Primary education
			Secondary education
			TVET-Vocational training
			University education/Bach
			Post-graduate
			Other (specify)
25	Social category Ubudehe	Select one	Cat 1
			Cat 2
			Cat 3
			Cat 4
26	What is the size of your family/ host family/Including yourself?	Number	

27	Composition of the household members	Number	Children +Students	Number
			Old people/ disable (Cannot work)	
			Number of active people who can work	
			workers/relatives living at home	
28	Function in the company/Coop/NGO/TVET	Select one	Owner	
			President	
			Manager /coordinator	
			Professional staff/Skilled	
			Labourer	
29	Contact (Phone)	Text		
30	Work experience with the company (Years)	Number		
Incomes of the households				
31	How many people in working age who work including yourself? (Abinjiza)	Number		
32	How many dependent persons under your responsibility	Number		
33	Source of income for the households	Choose multiple	Farming/Ubuhinzi bworozi)	
			Business	
			Selling of logs, wood, timber, and /or charcoal	
			Artisan (e.g., Carpenter/Mason/ Barber/Cobbler/Tailor/Potter/Butcher, etc.)	
			Part-time employment	
			Permanent job	
			Renting property	
			Retirement allowances	
			Gifts	
			Mining and queries	
			Any other (specify)	
Information about the Employment in the company				
34	Position at work	Select one	Owner/president (If he works for company)	
			Manager	
			Office staff Professional	
			Technical staff	
			Worker	
		Currently 2019	**Before LCF**	
35	Type of work contract	select one	Full-time (more than 6 months/year)	
			Part-time (Less than 6 months/year)	
36	salary paid by the company (RWF)	number (Choose One line)	Per month	
			Per day	
37	did working time/hours or days increased?	Select one	Increased	
			Reduced	
			remained un changed	
38	If increased did it reduce salary	select one	Salary increased salary	
			No, it did not increase salary	
Households conditions				
43	Do you have access to electricity inside your house?	Yes	No	

44	Indicate the type of energy used for cooking	**Curently 2019**	**Before LCF**
	1 = Wood		
	2 = Biogas		
	3 = Electricity (grid)		
	4 = Charcoal		
	5 = Bottled gas (canister)		
	6= Remaining from rice		
	7 = Straws		
	8= Other (specify)		
45	6.3. Indicate the type of energy used for lightning	**Curently 2019**	**Before LCF**
	1 = Electricity (grid) Wood		
	2 = Kerosene		
	3 = Wood		
	4 = Biogas		
	5 = Solar energy		
	6= Battery		
	7 = C and le		
46	Do you have access to clean water inside your homestead?	yes or no	Yes No
47	Do you travel less than 500 metres to fetch water	yes or no	Yes No
48	Do you have water tanks?	Yes or no	Yes No
	If yes, how many?	Yes or no	Yes No
Livestock asset			
49	Give the number of domestic animals are you rearing	**Currently 2019**	**Before LCF**
	Animals	Number	Number
	1. Cow		
	2. Pig		
	3. Goat		
	4. Sheep		
	5. Hen/Chicken		
	6. Duck/other bird		
	7. Rabbit		
	8. Other (specify)		
50	Which animal sales provide the most household income?		
51	Does any member of the household possess one of the following health insurance scheme?		
	Medical insurance access in the family	Yes or no	Yes No
	Mutuelle de santé for all	Yes or no	
	Other (RSSB, MMI, CORAR, MEDIPLAN, etc)		
52	Do you have staff at your household you pay on your salary?	Yes or no	Yes
			No
53	If Yes	Select many possible	House girl/boy /keeper
			Labourers for farming
			Construction works

			Others /specify
	Use of salaries from Company		
54	Use of salaries from Company	Select many	Payment for education for kids
			Mutuelle de santé
			Clothes
			Food security/food purchase
			Bank account?/saving
			Houses rent
			Investments/buy l and /assets
			Equipment at household/ Radio, bicycle
			House rehabilitation
			Other/specify
55	New household equipment self-procured since LCF?	Select as many as apply	Payment for education for kids
			House
			Renewed house
			L and purchase
			Bicycle
			Motobike
			Car
			Household materials (utensils, furniture, bed,..)
			Basic needs (Clothes, health insurance, food)
			Family function
			Saving (Entering Ikimina or bank)
			Savings on bank
56			Others /Plz specify
57	Location		GPS coordinates

Thank you so much for your contribution!

APPENDIX 11: PROTOCOL FOR FOCUS GROUP DISCUSSION (FGDS)

Date:……..

Name of the company: ……..……

Project name:…..……

Economic sector:……:……

Applicant or Partner……

Location: District:……..……..

Sector:…….

Cell:……..

Village:……..

Site:……. …….…….

GPS: Coordinates: ……

I. Informed consent

Sirs, Madams members of the FGD group,

We contact you because you have been selected to be part of the research called "Assessing the LCF as instrument to ignite LED in Rwanda" given your interest, experience and knowledge about LCF. The objective of this research is of mere academic knowledge to possibly inform the policy making in Rwanda about LED and LCF. We call you to share your experience, views and suggestions. We guarantee you anonymity and confidentiality while assessing your answers because will be triangulated with others and only a collective view will be reported on and not one group or individual's.

Do you agree to participate?

II. Questions

1. When have you known/participate in LCF programme and in which way?

2. What are the major changes brought about LCF in supported companies, staff, and in district?

3. What is the uniqueness of LCF compared to other development programme you have known or worked with?

4. What went well with LCF?

5. What are the short comings of LCF in design and implementation that hampered on functioning of companies and slowed the desired impact?

6. In supporting the local Businesses/industries, did LCF created induced effects in the surrounding of the supported companies, namely new business formation, or connection of businesses other that the partner? Can you explain and give examples and numbers (if any)?

7. According to you, what should change in LCF to make it a better programme to enhance business development and reduce poverty in district?

Thank you for your contribution to the research!

APPENDIX 12: PROTOCOL FOR KEY INFORMANTS INTERVIEWS (KIIS)

Date:……..

Name of the company: ……..……

Project name:…..……

Economic sector:……

Applicant or Partner……

Location: District:……..…….. Sector:…….

Cell:……..

Village:……..

Site:……. …….…….

GPS Coordinates: ……

I. Informed consent

Sir/Madam

We contact you because you have been selected to be part of the research called "Assessing the LCF as instrument to ignite LED in Rwanda" given your interest, experience and knowledge about LCF. The objective of this research is of mere academic knowledge to possibly inform the policy making in Rwanda about LED and LCF. We call you to share your experience, views and suggestions. We guarantee you anonymity and confidentiality while assessing your answers because will be triangulated with others and only a collective view will be reported on and not the individual's.

Do you agree to participate?

II. Questions

1. Since when have you known about /participated in LCF programme and in which way?
2. What are the major changes brought about LCF in supported companies, staff, and in district?
3. What is the uniqueness of LCF compared to other development programme you have known or worked with?

4. How is LCF important and what is its role/place in compared to other relevant national Policies Strategies/priorities?
5. What are the shortcomings of LCF in design and implementation that hampered on functioning of companies and slowed the desired results/impact?
6. In supporting the local Businesses/industries, did LCF created induced side effects in the surrounding of the supported companies, namely new business formation, or connection of businesses other that the partner? Can you explain and give examples and numbers (if any)?
7. According to you, what should change in LCF to make it a better programme to enhance business development and reduce poverty in your district?

Thank you for your contribution to the research!

APPENDIX 13: DECLARATION OF PROFESSIONAL EDITING

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23 May 2021

Declaration of professional edit

AN EVALUATION OF THE ROLE OF THE LOCAL COMPETITIVENESS FACILITY IN IGNITING LOCAL ECONOMIC DEVELOPMENT IN RWANDA

by

JEAN PIERRE HAKIZIMANA

I declare that I have edited and proofread this thesis. My involvement was restricted to language usage and spelling, completeness and consistency and referencing style. I did no structural re-writing of the content.

I am qualified to have done such editing, being in possession of a Bachelor's degree with a major in English, having taught English to matriculation, and having a Certificate in Copy Editing from the University of Cape Town. I have edited more than 200 Masters and Doctoral theses, as well as articles, books and reports.

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