

## LOCAL AND REGIONAL ECONOMIC DEVELOPMENT

# Green Resilient Agricultural Productive Ecosystems (GRAPE)

## Background

Local and Regional Economic Development (LRED) is a participatory approach for planning and implementing local economic development initiatives with the participation of local government and other actors from the public, private, and cooperative sectors. It is a participatory approach to improving the competitiveness of local and provincial territories that ultimately aims for inclusive growth. LRED is a continuous process that mobilises the public, private, and cooperative sectors, as well as civil society stakeholders to become partners in creating more resilient conditions for business development, entrepreneurship, and employment generation.

In 2019, the GIZ-Local and Provincial Economic Development (LPED) project embarked on improving the framework conditions for LRED at the local and provincial levels in Nepal. The project implemented GIZ's territorial economic development approach, LRED, and the selected value chain promotion initiatives. The LPED project piloted various LRED tools and methods that were customised to the Nepali context, including PACA, Business Climate Surveys (BCS), Public Private Cooperative Dialogues (PPCD), Small Project Support Funds (SPSF), Economic Development Strategies (EDS), and others. The LPED project conducted PACA exercises in ten municipalities and, as a result, identified feasible LRED projects, out of which more than 60 percent were implemented during the COVID-19 pandemic, despite the shift from economic development towards pandemic and health management projects.

In 2021, the LPED project merged with the Green Resilient Agricultural Productive Ecosystems (GRAPE) programme, which is jointly funded by the European Union (EU), the Ministry for Foreign Affairs of Finland, and the BMZ under the Team Europe approach to emphasise the EU and its member states' cooperation with Nepal. GRAPE is a development cooperation programme contributing to the green, resilient, and inclusive development approach adopted by the GoN and the International Development Partners Group (IDPG) to pursue long-term sustainable economic development. GRAPE focuses on strengthening agricultural ecosystems using sustainable climate-resilient technologies and practices. The programme's actions aim at fostering climate-resilient, green economic growth in Sudurpashchim and Karnali Provinces. The actions also follow the LRED and value chain approaches while designing interventions. Lumbini Province was part of the action until April 2023, focusing on local and provincial economic development.

Various tools and methods have been customised, piloted, and rolled out to implement the different stages of an LRED process in the Nepalese context. In line with the LRED principles, all tools are participatory, inclusive, and replicable and require skilful facilitation.

LRED trainings were organised for the municipality's elected and non-elected representatives, representatives of the private sector, and cooperative sector representatives to inform them about the LRED, its principles, process, tools, and climate-resilient local economic development. These trainings helped them understand the importance of cooperation among different actors for effective local economic development.

Different tools and methods have been applied, such as participatory appraisal of competitive advantage (PACA), business climate survey (BCS), Economic Development Strategy (EDS) formulation, facilitating organisational strategy development, public private cooperative dialogue (PPCD), and small project support fund (SPSF).

PACA is a participatory, bottom-up, pragmatic, and market-oriented approach to sustainable LRED. This has helped identify around 160 different short- and medium-term projects contributing to local economic development.

BCS is a tool to measure a territory's economic development progress and economic governance. BCS is also a tool to track and measure a territory's economic development status and progress by comparing relevant economic indicators over time (intra-territorial). Two phases of BCS have been completed: the first during 2020/21 in 11 partner municipalities of the LPED project and the second during 2021/22 in 42 partner municipalities of the GIZ CDSG project, the Support to Federatization Project funded by USAID, and the GIZ LPED/GRAPE project.

An EDS provides a long-term perspective based on joint visions, missions, local cultures, and previous achievements, describing the preferred future trajectory of a locality. It attempts to improve sustainable economic performance compared to the past as well as enable comparison with other Municipalities or regions. Five municipalities (Siddharthanagar, Nepalgunj, Kohalpur, Ghorahi, and Lamahi) have been supported to develop their EDS, and two municipalities (Butwal and Tulsipur) have been supported to review their existing EDS.

Organisational strategy development in organisations focusing on economic development provides the visions and missions of the organisations and guides them to achieve those visions and missions through different strategies jointly identified by the management and/or by stakeholders within that organisation.

PPCD is about stakeholders (public, private, and cooperative sectors) coming together to define and analyse problems, discuss and agree on specific solutions, and their joint and coordinated work to make these ideas

a reality. With the support of the LPED project, one intermunicipal dialogue and five PPCDs (during the development of EDS) have been organised, which helped to understand different aspects and challenges of local economic development and jointly identify solutions to those challenges.

SPSF intends to support innovative business ideas and enterprises. The support fund prioritised cooperatives, enterprises, and entrepreneurs operating in the target municipalities on a competitive basis. Through the SPSF, LPED supports networking and cooperation among enterprises and cooperatives, thereby encouraging partnerships to create synergies, preferably in the value chains selected by LPED.

## Outlook of LRED

The Ministry of Federal Affairs and General Administration (MoFAGA) is the responsible ministry dealing with the local governments engaged in promoting local economic development. The ministry has come up with a LED monitoring and evaluation procedure and developed innovative LED guidelines. MoFAGA plans to support around 300 municipalities, based on certain criteria, for their innovative projects contributing to local economic development. For this, they have allocated funds of NPR 3 billion (Eur 21 mil) to be spent during fiscal year 2022/23. The LPED/GRAPE project joined with the MoFAGA for the orientation of this guideline for the local governments of Lumbini Province. The project provided support to conduct eligibility checks on partner municipalities to receive the conditional grant from MoFAGA under this fund. The project plans to support the development of proposals by eligible partner municipalities.

In the current context where the country is undergoing a federalization process and with the interest of and contribution from stakeholders from the public, private, and cooperative sectors towards local economic development, the adoption of the LRED approach plays an important role in creating local employment, generating income, and contributing to poverty reduction. For this, their capacity should be enhanced. The LPED/GRAPE project plans to conclude MoU with MoFAGA to enhance the capacities of these actors at provincial and federal levels.

Published by  
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Registered offices  
Bonn and Eschborn, Germany

Project  
Green resilient Agricultural Productive Ecosystems (GRAPE)  
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Design/Layout  
GRAPE

Photo Credits  
GIZ Nepal

The programme is co-funded by the European Union, Ministry for Foreign Affairs of Finland and the German Federal Ministry for Economic Cooperation and Development (BMZ).

GIZ is responsible for the content of this publication

As of March 2024, Nepal