



LOCATI- Newsletter

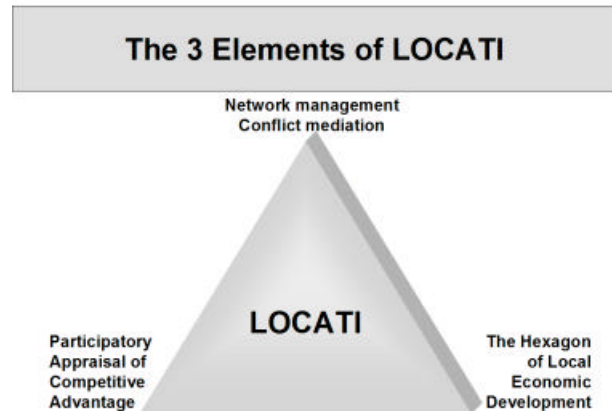
No. 1, May 2002

Hi! This is the very first edition of the LOCATI Newsletter. LOCATI stands for “Local Competitive Advantage Training Initiative”. It is a training programme on local economic development (LED) which is funded by CDG (Carl Duisberg Gesellschaft, a German technical assistance agency). It is thus part of German technical assistance to South Africa.

LOCATI is executed as a joint venture between IFOK and Jörg Meyer-Stamer. IFOK is a German consultancy firm which specialises in facilitating multi-stakeholder processes which involve both public and private sector. From IFOK’s side, Henning Banthien and Constanze Helmchen are working in LOCATI. Jörg Meyer-Stamer is an independent consultant who specialises in LED. One of his products is PACA (Participatory Appraisal of Competitive Advantage, a rapid appraisal method for LED).

LOCATI addresses three aspects which are essential for LED initiatives: PACA, the Hexagon of LED which is combining key analytical concepts and useful practical instruments, and network management and conflict mediation, which become major challenges as LED initiatives evolve.

LOCATI started in November 2001 and will run to September 2003. In the current phase, it addresses stakeholders in four places: Highveld East Municipality around Secunda, Middelburg, Thaba Chweu Municipality around Lydenburg and Barberton. In April 2002, we had a number of workshops and meetings in those places (except Barberton). What exactly did we do, and what are we going to do next? Let us have a look at each of the four municipalities which are so far involved – see Table on next page.



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<i>Place</i>	<i>Current state of LED</i>	<i>LOCATI activities in April</i>	<i>LOCATI activities for June</i>
Highveld East	<p>Former Highveld Ridge Stakeholders' Forum has formed a number of working groups on LED.</p> <p>LED Council at the municipal level has been formed.</p> <p>Discussions on an adequate governance structure are ongoing.</p> <p>Isolated LED activities are ongoing.</p>	<ul style="list-style-type: none"> • Workshop with LED stakeholders on concepts of LED • Youth-Workshop: Innovative entrepreneurial spirit building with students, young unemployed and young entrepreneurs • Workshop with school principals to prepare for wider application of Youth-Workshop format 	<ul style="list-style-type: none"> ➤ Workshop with LEDC ➤ Workshop with youth / young entrepreneurs (as agreed as follow-up of WS on 23 April with participants) ➤ Option: Workshop with township activists (follow-up of 24 April) ➤ Option: Meeting with Sasol Businesses development group
Mid-delburg	<p>LED Forum at the municipal level has been formed.</p> <p>Isolated LED activities are ongoing (e.g. Stainless Steel incubator).</p>	<ul style="list-style-type: none"> • Individual meetings with LED stakeholders • Workshop with incubator entrepreneurs to strengthen their sense of market focus • Workshop to plan future activities with "Something out of Nothing" 	<ul style="list-style-type: none"> ➤ Workshop with LEDF ➤ Workshop with "Something out of Nothing" ➤ Workshop with Stainless Steel Incubator entrepreneurs
Thaba Chweu	<p>Isolated LED activities are ongoing (e.g. work to create economic opportunities for black communities around Bourke's Luck Potholes).</p>	<ul style="list-style-type: none"> • Brainstorming workshop with LED stakeholders on feasible projects (priorised project: Market on Saturdays) • Workshop with LED stakeholders on concepts of LED 	<ul style="list-style-type: none"> ➤ Workshop with key stakeholders group (follow-up on 19 April – Market on Saturdays) ➤ Option: Workshop with tourism group ➤ Option: Workshop with agriculture group ➤ Option: Preparation of PACA exercise in August ➤ Option: Youth WS
Barberton	<p>Preparatory activities for LED are ongoing.</p>	<p>None</p>	<p>Not yet discussed</p>

Topic of the Month: What is Local Economic Development?

Defining LED is no easy task. One way of trying it anyway is by saying what it is not:

- LED is not industrial policy. It is also not SMME promotion (though the latter may be part of LED).
- LED is not regional planning. Planning can make an important contribution to LED. But while there is often economic development without anybody having planned for it, the process of planning does not secure that there is subsequent economic dynamism.
- LED is not community development. Community development is about solidarity – it is about self-help groups, mutual assistance and voluntary work to help the disadvantaged and solve health, education, housing and other problems. LED is about competitiveness – it is about companies thriving in competitive markets and locations thriving in a competitive, globalised world.

So what then is LED? Let us first to describe it by giving a few examples of LED projects:

- Different stakeholders from one sector, for instance tourism, come together to discuss, formulate and propagate a joint image initiative for a location (e.g. municipality, district).

- Private business and council join forces to attract a foreign company which happens to process the products manufactured by a major local company.
- The council streamlines regulations and sets up an office which assists businesses in understanding and complying with regulations (e.g. how to obtain a permit, how to fill out forms, etc.).
- The local Business Chamber organises a scheme where experience businesspeople dedicate two hours per fortnight to coach emerging entrepreneurs.
- Council and business associations organise an annual fair for local products.

These examples lead us to a more analytical definition of LED: it is about local activities to make markets work better. It is not about distorting markets, and it is not about substituting them. LED aims remedying market failures such as barriers to entry, information problems and high transaction costs.

Yet another way of defining LED is by formulating a few guiding principles:

- LED aims at creating favourable locational factors, i.e. qualities which make your place a good place to do business. This includes obvious ele-

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ments such as improving the infrastructure and training workers, but also less obvious elements such as the business-mindedness and efficiency of local administration.

- LED aims at promoting business. This can be existing businesses, start-ups or external companies coming into your location. You would also look at linking things: promote and support spin-offs and subcontracting, attract investors which fit nicely into

cal Business Service Centre, why not involve experienced businesspeople and managers in coaching both entrepreneurs and advisors?

It is important to note that LED involves very different target groups. A multinational company which may invest in your location is as much a target of LED activities as is the young black unemployed with limited skills who has some entrepreneurial talent. LED is about small and big things, and



the local economic structure, and consider franchises as a source of new local businesses.

- LED aims at making local markets work better. It aims at creating places and opportunities to match supply and demand, as well as to discover, propagate and promote new business opportunities.
- LED aims at making better use of locally available resources. Instead of complaining about the difficulties of finding adequate advisors for the Lo-

it includes everything from very modest to very fancy activities. What all this must have in common is business thinking. LED is not social work. The guiding principle of LED is competitiveness. You want to make sure that your location has qualities which are competitive with those of other locations, so that companies choose your place rather than going elsewhere. And you want to make sure that local markets work, so that manifold business opportunities arise.