



LOCATI- Newsletter No. 2, June 2002

Between 10 and 21 June 2002 we conducted a further round of LED-related workshops in a number of locations in Mpumalanga. The following table gives you an overview.

<i>Place</i>	<i>LOCATI activities in June</i>	<i>Future LOCATI activities</i>
Highveld East (Govan Mbeki)	<ul style="list-style-type: none"> • Workshop with LED stakeholders: Assessment and perspectives of LED • Second Youth Workshop with young potential entrepreneurs 	<ul style="list-style-type: none"> ➤ Workshops with LED stakeholders ➤ Third Youth Workshop ➤ Introduction of Youth Workshop format into schools
Middelburg	<ul style="list-style-type: none"> • Workshop with Local Economic Development Forum: Perspectives of LED • Workshop with "Something out of Nothing" activists on business management • Workshop with Stainless Steel Incubator entrepreneurs and Little Elephant activists on entrepreneurship 	<ul style="list-style-type: none"> ➤ Workshop with LEDF ➤ Further business training of "Something out of Nothing" activists ➤ Workshop with Stainless Steel Incubator entrepreneurs
Thaba Chweu	No workshops, but fact-finding (identification of paradigmatic LED activities and opportunities in Kgautswane and Moremela/Bourke's Luck Potholes) and preparation of future activities	<ul style="list-style-type: none"> ➤ Workshop with rural community development activists on opportunities for niche agricultural products ➤ Introduction of Youth Workshop format
Barberton	Preparatory workshop for future LOCATI activities	➤ Workshop with LED stakeholders
Nelspruit		➤ Workshop with LED team in municipal government
Provincial Government	Presentation of LOCATI to various provincial government departments	To be defined



This is an example how not to promote local economic development: By building a tennis court and a netball court in a deep rural community (seen in Kgautswane, donated by the government of Northern Province).

Topic of the Month: The Hexagon of Local and Regional Economic Development

If we take a closer look at main concepts and instruments of LED, we can organise them along six triangles which jointly form a hexagon. Here we give a brief overview of all six. We will devote one newsletter for an in-depth discussion of each of these triangles.

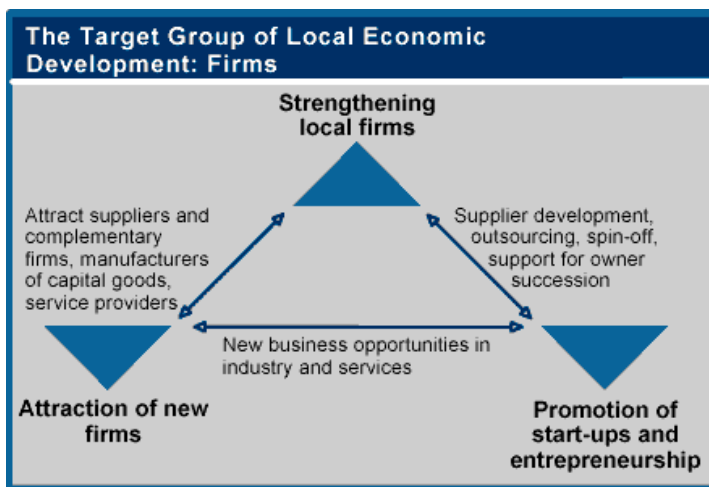


Figure 1: LED is about business and competitive companies.

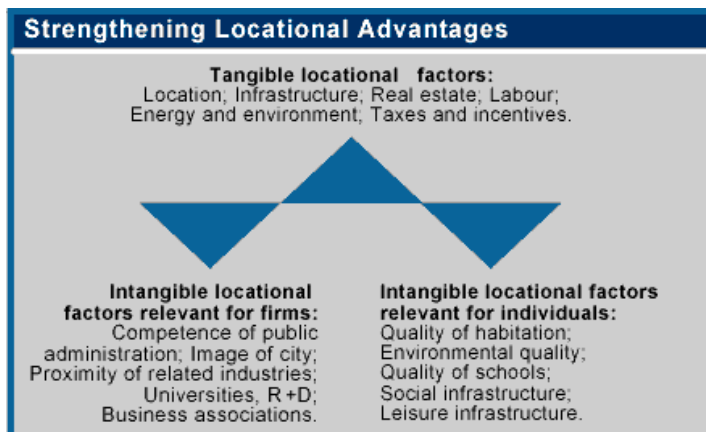


Figure 2: The most relevant intangible factor is usually the competence, efficiency and business-focus of local government. LED is about creating a favourable environment for business and a competitive location.

First Triangle: The Target Group of Local Economic Development are Companies

Economic development is based on the efforts of companies. The main target group of local economic development (LED) are thus companies, in particular the private sector. What kind of companies are the main target group? The main goal of *traditional* LED efforts was to attract new investors. It would be much too narrow, however, to limit LED to this. Basically, there are three types of companies which can be the target of LED (Figure 1). Do not conceptualise the three target groups in an either/or manner. Instead, try to realize the synergies between promotional activities for each of the three target groups.

Second Triangle: Strengthening Locational Factors

The second triangle is about locational factors, i.e. those features which determine whether a given city or region qualifies as a favorable setting for doing business. There are three types of locational factors (Figure 2).

There is a clear hierarchy between the three types of locational factors. Most relevant are tangible factors. It is only after tangible factors become increasingly similar across locations that in-

tangible factors become relevant as a distinguishing feature.

The Third Triangle: Synergies between Economic Promotion, Employment Promotion and Urban/Regional Development

Local economic development is not just about business promotion, SME support and microenterprise promotion. It has strong connections with urban planning and with employment promotion and other fields of community development. However, before looking for synergies, it is crucial to make a clear distinction between economic development and employment promotion/community development, as they have different rationales (competitiveness vs. solidarity).

From the perspective of a business promotion agency/actor, it is crucial, in order to design and implement an adequate LED effort, to understand what is going on in these two neighboring fields: What are the main concepts and instruments used there? And what are the synergies which can be realized by connecting concepts, measures and actors from these different fields? (Figure 3)

The Fourth Triangle: Sustainable Development

Sustainable development often appears as a somewhat abstract concept. However, it becomes much less abstract if

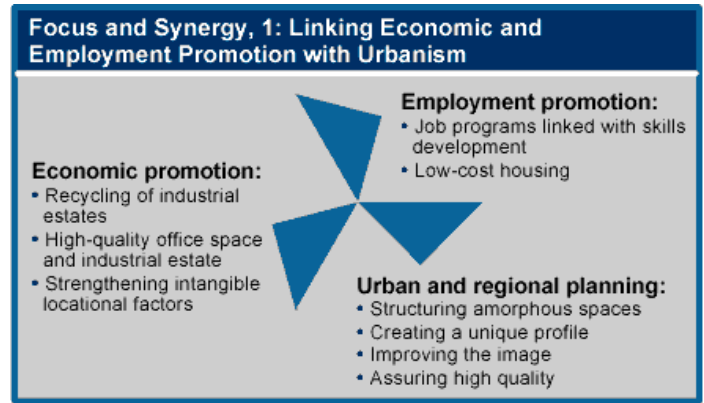


Figure 3: LED is about managing the tensions and complementarities between economic goals, community goals and planning necessities

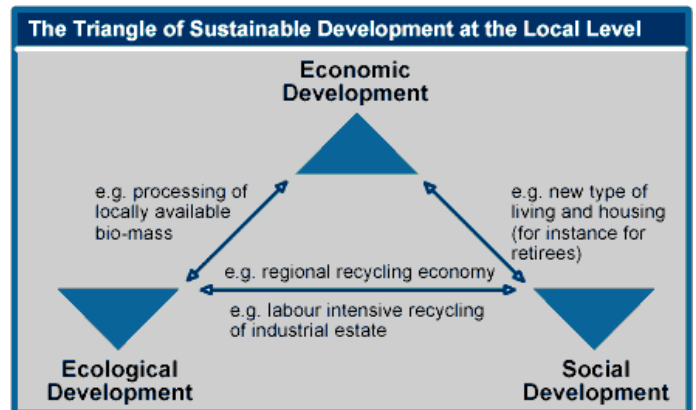


Figure 4: LED must aim at creating a sustainable local economy

it is conceptualised at the local level, for instance by looking at biomass (from agriculture, maintenance of parks, kitchens etc.). It has a high energy content and can be used for the generation of electricity or gasoline (Figure 4). Generally, waste management and recycling may create various business and income opportunities.

The Fifth Triangle: Governance

Any local development effort involves public and private actors. On the public side, the legislative and several

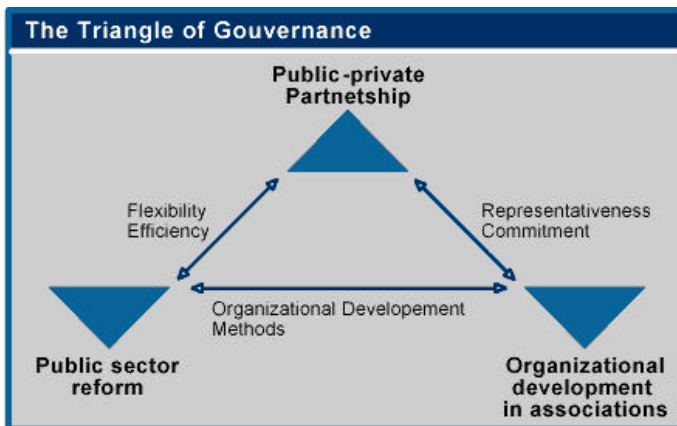


Figure 5: LED is about finding an adequate governance structure

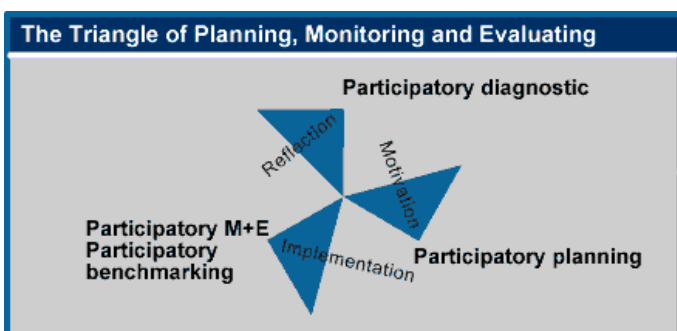


Figure 6: LED is an iterative, not a sequential process

branches of the local or regional executive have to play a role. On the private side, chambers and other business associations have to participate. But there may also be active involvement of companies: real estate firms, developers and utilities, as well as other companies, such as large firms involved in supplier development or community development activities.

It is not rare to find weak actors on either side. Public agencies may be underfinanced, lack highly skilled staff, be excessively bureaucratic, have no idea what a business mindset is like, etc. Private organizations, in par-

ticularly chambers and associations, often are understaffed, not very professional, highly politicised, offer little services to their members, lack a clear mission, etc.

In a setting like this, it is tricky to launch a LED initiative. Yet it will often be unlikely that these problems get sorted out for some reason in the medium term. Therefore, stakeholders who want to launch a LED initiative have to work with the institutions which are there. Rather than waiting for public sector reform to happen and organizational development in chambers and associations to fall from heaven, a LED initiative creates an opportunity, and possibly a motivation, to initiate these things. LED ought to be based on public-private partnership, PPP (Figure 5).

The Sixth Triangle: Planning, Monitoring and Evaluating

To do LED you have to know your local economy. The most efficient way of getting there is by using a method such as Participatory Appraisal of Competitive Advantage (PACA). For planning practical activities, there are further participatory methodologies. The same applies for monitoring and evaluation (Figure 6). Most of all, it is essential to realise that LED is an iterative process. It is never complete.

For an in-depth presentation of the Hexagon see www.wiram.de/toolkit.