



LOCATI- Newsletter

No. 3, September 2002

Between 19 and 30 August 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 August</i>	<i>Future LOCATI activities</i>
Highveld East (Govan Mbeki)	<ul style="list-style-type: none"> • Third Youth Workshop with young potential entrepreneurs • Introduction of Youth Workshop Format to schools 	<ul style="list-style-type: none"> ➤ Workshops with LED stakeholders ➤ Fourth Youth Workshop
Middelburg	<ul style="list-style-type: none"> • Workshop with Local Economic Development Forum on weekly market project • Workshop with Stainless Steel Incubator entrepreneurs and Little Elephant activists on entrepreneurship • Workshop with HBDC board 	<ul style="list-style-type: none"> ➤ Workshop with LEDF ➤ Further business training of "Something out of Nothing" activists, Stainless Steel Incubator entrepreneurs and Little Elephant activists
Thaba Chweu	<ul style="list-style-type: none"> • Workshop with rural niche producers • Introduction of Youth Workshop Format to school 	<ul style="list-style-type: none"> ➤ Further workshops with rural producers and community development activists on opportunities for niche agricultural products
Barberton	<ul style="list-style-type: none"> • Workshop with township activists to define future activities 	<ul style="list-style-type: none"> ➤ Workshop with township stakeholders ➤ Workshop with LED stakeholders
Nelspruit	<ul style="list-style-type: none"> • Meeting with LED team in municipal government 	<ul style="list-style-type: none"> ➤ PACA (in co-operation with GTZ)
LOCATI Network	<ul style="list-style-type: none"> • Workshop on the sequencing of LED activities (see next page) 	<ul style="list-style-type: none"> ➤ Workshop on the role of different stakeholders



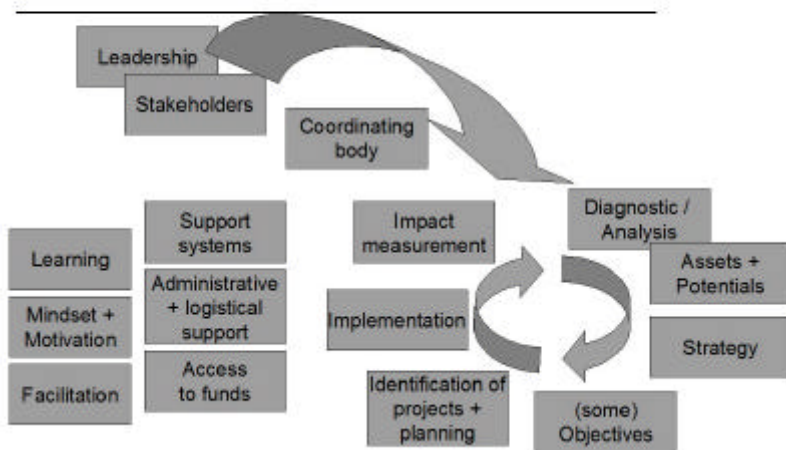
The Youth Workshop format is becoming popular. It involves an series of exercises which stimulate young people to conceptualise township problems as business opportunities, and to formulate business ideas. It is a highly participatory format, building mostly on group discussions and presentations by participants.

The Sequencing of LED Initiatives

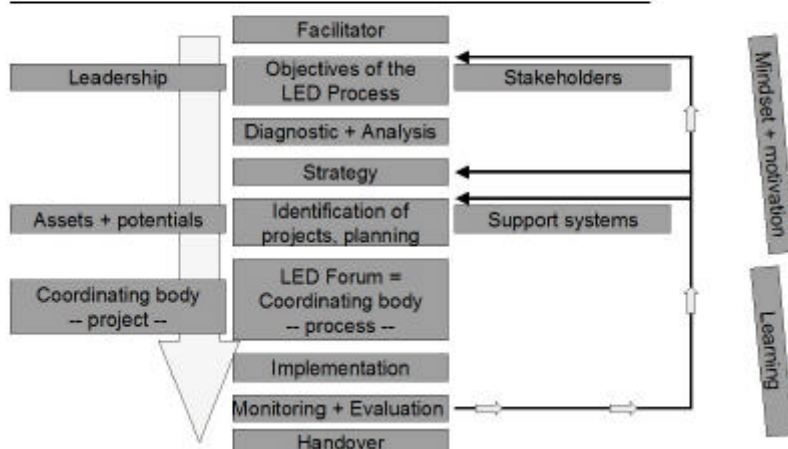
During the last meeting of the LOCATI Network, on 28 August 2002 in Nelspruit, we had a very stimulating discussion on the sequencing of LED initiatives. Two working groups addressed the issue, and they came up with slightly different views.

Group #1 distinguished two different phases. Phase 1 involves the emergence of leadership, the motivation of stakeholders and the creation of a coordinating body for the overall initiative. Phase 2 is the continuous cycle of diagnostic, planning, implementation and evaluation of specific projects.

Sequencing of LED Initiatives #1



Sequencing of LED Initiatives #2



Group #2, by contrast, pointed at the key role of a facilitator, possibly the municipality. It put the creation of a coordinating body at a much later point in the process, and it distinguished between two types of such bodies: for the initiative at large and for each project. Evaluation of projects leads back to the identification of new projects, possibly a re-design of the strategy and occasionally an adjustment of the overall objectives.

Crucial insights from both groups are:

- LED is an iterative process.
- Strong leadership is essential.
- The coordinating body of the initiative should not deal directly with individual projects.
- Monitoring and evaluation are very important.

Topic of the Month: LED, Community Development and Community Involvement

An issue that comes up in every place where local stakeholders start to do something about LED is the confusion between LED and community development. This goes back to the fact that there seems to be a more general confusion of these two issues in South Africa. For instance, a recent draft document by the Department of Provincial and Local Government states the following in the executive summary:

“From central government's perspective, the most important objectives for municipal LED are job creation, sustainable urban and rural development, and explicitly pro-poor approaches within a holistic LED strategy. The LED approach promoted in this policy paper is innovative, creative and redistributive. LED is to be broadened and deepened to meeting, first and foremost, the needs of the poor, women, children, disabled and people living with HIV/Aids. Within newly-demarcated districts, small towns should be given higher priority.”¹

In other words, in the perspective of this Department LED means bringing together employment policy, urban development policy, rural development policy, social policy, family policy and health policy. But what about the E in LED, i.e. Local *Eco-*

nomie Development? There are at least two perspectives:

1. Central government is worried that LED degenerates into smokestack chasing, i.e. throwing incentives and subsidies at large corporations to lure them into a location. The logic behind the emphasis on social issues in LED is a tactical one: to make sure that at least some social issues are addressed by LED.
2. LED has been captured by non-economic actors in the political-administrative system who want to promote issues which are not directly linked to economic development.

In any case, it is notable that the situation in South Africa is unique. Elsewhere in the world, the purpose of LED is clearly not to meet, “*first and foremost*”, the needs of marginalised people living with HIV/Aids, since this is the objective of health and social policies. LED is rather about creating vibrant local economies which generate, directly or indirectly, the tax income so that government has the funds necessary to pursue effective health and social policies.

The problem resulting from this confusion tends to be gridlock, that is a constellation where neither economic nor social objectives are met:

¹ "Local Economic Development Policy Paper: Refocusing Development on the Poor", February 2002.

LOCATI- Newsletter No. 3, September 2002

- Developmental activities tend to have no clear business focus, and as a result they often rely on subsidies, which effectively means that they are not sustainable.
- Many initiatives are addressing entrepreneurship in a manner which is hardly serious, where emerging entrepreneurs are encouraged to present vague ideas as business plans – which, for good reason, are flatly rejected if the individual tries to receive some kind of support.
- Skills development courses train people for nonexistent jobs in industries with no projected growth.

A constructive way of dealing with this confusion is by distinguishing between community development and community involvement. There cannot be any doubt that community involvement in the LED process is most desirable, and indeed necessary – not just of the local business community but also other segments of the local society, such as the school and academic community and non-governmental organisations must be involved in the overall work on LED. In fact, the more effectively these communities are organised, the better are the pre-conditions for a successful LED process – provided that they understand the distinction between local economic development and other fields of local development.

In other words, LED cannot be separated from the community. But community involvement and community mobilisation are distinct from community development. Community development is effectively part and parcel



A serious and very promising entrepreneurship promotion and black empowerment initiative: The Stainless Steel Incubator in Middelburg

of social policy. Its objective, target groups and incentives are quite different from those of LED. Community development is about supporting and empowering the weak and disadvantaged, whereas LED is about business and competitiveness.