

Programme Description of The German – South African Programme on **Business Development Services and Local Economic Development¹**

1 Introduction

National macro economic policies and strategies have since 1994 been successful in addressing many of the problems of the South African economy. The macro economic stability and growth have, however, not been sufficient to address the high levels of unemployment and under-utilisation of local resources. Numerous opportunities go unrecognised.

In the face of the failure of different policies and strategies to have the majority of the population benefit from economic growth, Local Economic Development (LED) has become the focus of attention in South Africa to overcome the multiple obstacles of low skills level, low entrepreneurial culture, inappropriate or weak support mechanisms, lack of access to financial and business development services, spatial marginalisation, local inertia and despondency and numerous other barriers and market failures that lead to high unemployment, low income and thus widespread poverty.

2 What is LED

LED is an elusive concept and hard to define. LED may also have its specific meaning in specific historic and socio-economic circumstances. Yet providing policy and strategy advice on national level e.g. when working with responsible ministries, requires a clear understanding of what is and isn't LED.

LED is a territorial concept and **part of local development or regional management**, specifically aiming to stimulate the **local economy** to grow, compete and create more jobs, in particular by making better use of locally available resources. Thus, LED is about local activities to make markets work better. It aims at creating places and opportunities to match supply and demand as well as promote new business opportunities. LED also aims at creating favourable locational factors, i.e. qualities, which make a place a good place to do business. This includes obvious elements such as improving the infrastructure, having access to business development services and training workers, but also less obvious elements such as the business-mindedness and efficiency of local administration.

Most importantly, however, LED is an instrument for putting the “people's contract” into action and mobilizing the local population as the single biggest resource for economic growth and development. It is an approach by which local people continuously work together and with other external stakeholders to achieve

¹ Funded by the German Ministry of Economic Co-operation and Development (BMZ) and implemented by the German Agency for Technical Co-operation (GTZ). The first (pilot) phase started in November 2002.

sustainable economic growth and development that brings an improved quality of life for all in a defined area. In South Africa the 284 municipalities (231 Local Municipalities grouped into 47 District Municipalities and the 6 Metropolitan Municipalities) represent economic spatial units and the geo-political arena for LED.

The Worldbank defines Local Economic Development as “the process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation.”². This definition underlines two important aspects. LED is an ongoing **process** and **LED is driven by key stakeholders and institutions from all spheres of society, the public and private sector as well as civil society.**

The overall objective of LED, in particular in countries with widespread incidence of poverty, is that vibrant local economies will lead to pro-poor growth and ultimately sustainable livelihoods. The South African Draft Policy on LED defines the objective of the LED Policy in the following way:

“By 2014 the improved resilience and vibrancy of local economies (at district, local municipal and community/ward level) will be responsible for:

- *halving unemployment and poverty levels in South Africa, and for*
- *strengthening the national economy.*

By 2030 South Africa is truly one nation with one integrated economy. The vast majority of South Africans participate actively in economic activity and enter into a virtuous circle of prosperity. Social investment breaks the legacy of poverty, makes people marketable for jobs, and increases the revenue base of the country so that greater levels of social investment is possible. South Africa is ranked amongst the leading nations in the world using a sustainable development index. Economic growth, social development and environmental protection are in synergistic balance.”³

3 Programme Vision

The BDS/LED Programme and its partners believe that one of the best ways to assist in overcoming the multiple challenges to local and regional economic development is to introduce an efficient, effective and low-cost approach to empower local and district municipalities to start LED processes and take up local or regional economic opportunities.

The **vision** is that these processes eventually lead to vibrant local economies whose economic citizen creatively identify opportunities and constantly strive to improve their competitive advantages and make their place as attractive a place as possible

² “Local Economic Development (LED) is the process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. The aim is to improve the quality of life for all” and “Practicing LED means working directly to build up the economic strength of a local area to improve its economic future and the quality of life of its inhabitants.” In: Local Economic Development. A Primer for Developing and Implementing Local Economic Development Strategies and Action Plans. February 1, 2002. A Knowledge Management Product from the Bertelsmann Foundation and World Bank’s Cities of Change Initiative

³ LED Draft Policy of South Africa, dated May 2004

to live in, work in and do business. LED support institutions, specialists and facilitators competently assist local municipalities to mobilise stakeholders, to assess the competitive advantages of their locality and develop and implement action plans. National and provincial policies and strategies give unambiguous and clear guidance, assist in the capacity development required and provide local municipalities with the necessary financial resources to go about LED.

This vision means addressing four interrelated system elements:

- LED approaches and instruments. Here the main issue is to assist with the transfer of know-how, experiences and good practices from around the world, adapting international strategies and instruments to local circumstances or, in some cases, creating new solutions that particularly address South Africa's situation. The Programme is testing the feasibility of different approaches and instruments in selected (pilot-) areas of South Africa.
- Definition and understanding of LED, policy and guidelines. This issue is, in particular, concerned with the need for a common understanding of what is and isn't LED, who the key actors are and how to go about it. The Programme assists the economic cluster of the South African government on selected issues in developing unambiguous and clear policies, strategies, guidance, support systems and incentive schemes for local and district municipalities. Policies and strategies need to be informed by experiences gained in programmes and projects on the ground.
- Institutional and human capacity building and support and implementation mechanisms. Here we are dealing with numerous capacity building issues on very different levels. Stakeholders of all spheres and at all levels need to have a basic understanding of the concept of LED and should have a sound overview with regard to possible strategies, instruments and support mechanisms in place. However, in detail, capacity building differs quite a bit whether we are looking at the competencies required to develop national LED policies and strategies, to mobilize, organize and manage a local LED stakeholder forum or to provide practical advice and assistance to local municipalities on how to go about LED. Since capacity building is a continuous process, the question also is how training can be institutionally arranged and financed on an ongoing basis. The issue also relates to the question where and how local municipalities can access financial and technical support for their LED processes and projects, which implementation processes to follow and which is the most appropriate organizational set-up.
- Dissemination and application of lessons learned. Local Economic Development is an ongoing process in constant need for creative and catalytic inputs that are often hard to generate from within a given locality. It is thus important to disseminate creative ideas and lessons learned and ensure that these are applied in internationally and/or nationally financed local and regional economic development programmes.

The following chapters will present in more detail the Programme's activities in the four areas mentioned above.

4 LED Approaches and Instruments

Below are a number of approaches and instruments that the Programme is presently (August 2004) working on. They are at different stages of development, testing and introduction to South Africa via partner institutions and LED experts and facilitators.

4.1 Participatory Appraisal of Competitive Advantage (PACA)®

The PACA® approach has been developed by Mesopartner, a German consultancy group, in the context of German development projects in the course of the last six years in a number of countries such as Brazil, South Africa and Sri Lanka. The approach is continuously adjusted and expanded in each of these countries according to local circumstances. It is particularly suited for inexperienced rural communities that are starting to engage in LED for the first time.

In the narrow sense PACA is a set of tools to come up with a diagnostic of the competitive advantages and disadvantages of a locality (e.g. a district, town or township) or a sector (such as tourism, agriculture or the formal business community) combined with concrete, practical proposals to stimulate the local or regional economy. In the wider sense it is a participatory, bottom-up and pragmatic approach to LED. One of the major advantages of the approach is that it stimulates and mobilizes local actors to actually start doing something to make their local economy more vibrant and their place as attractive a place a possible to live in, work in and do business.

After a PACA exercise, LED/PACA specialists assist the local community to follow through on the action plans. The first action plans stress activities that are quickly implementable within months with local resources and visible results. Once local actors feel their initiatives are not a waste of time and energy, further PACAs in e.g. specific sectors or with more long-term and complex action plans can be implemented. This is then often also the time where the actors feel the need to give their LED initiatives some form of organizational structure, such as an LED Forum. The LED/PACA specialist can also assist in the then required organizational developments on local level.

About 10 PACA exercises and follow-up have been implemented so far with the assistance of the programme and its partners in the Eastern Cape, Mpumalanga and Kwazulu Natal.

One of the findings of a PACA exercise in a South African township in November 2002 was the almost complete absence of local market information and intelligence, which hindered the growth potential of existing small businesses and created a barrier to entry for potential entrepreneurs. As a result of a PACA Exercise an emerging entrepreneur was found to prepare a local business directory. The directory is financed by advertisements of the local business community.

In another local municipality the PACA exercise lead to the discovery that the tourism potential of the area was far bigger than people thought, in particular for business tourism. The derelict local tourism association was restructured (including for the first time black tourism businesses) and relaunched. A marketing campaign, including a website, advertising events and proper signposting of attractions was organised. The

association also started an awareness campaign on the importance of good services and customer orientation in town. Negotiations with banks to deal with foreign currencies (until then not available) were held.

The same PACA assisted the town to identify its market niche, apart from tourism, in the service and distribution sectors and led them away from the unrealistic desire to become a manufacturing centre. Local government and the business sector started talking to each other after years of a complete communication break-down and active networking addressing the enabling environment for business activities (e.g. lack of space for business expansion in the Central Business District) is now taking place. The same process also revitalised the local business chamber that previously had been inactive.

During a PACA exercise in March 04 which focused on the economic regeneration of the Isithebe Industrial Estate in KwaZulu-Natal, productivity and skills development were identified as the single greatest barrier to innovation and growth within the estate. When this question was probed it emerged that the real problem, previously not articulated, was the fact that HIV/Aids was having a significant impact on the most productive and skilled sector of the workforce. Within two weeks a task team was assembled, and a vacant factory was made available for a programme against HIV/Aids, to be run by the German development agency InWEnt. Four Isithebe companies have already signed up for the programme.

4.2 GENESIS

GENESIS is a practical tool to conduct a participatory exercise to formulate a local or regional economic development strategy. GENESIS and PACA are complementary methodologies. Genesis is more suited for the development of comprehensive regional economic development strategies, while PACA is suited to develop concrete project proposals around elements of the regional strategy on the local or sector level. GENESIS gives strategic orientation to guide PACA Exercises. PACA is ideal to mobilize stakeholders around GENESIS proposals, and provides the first steps to implement the strategy.

A GENESIS exercise results in:

- Clear understanding of a regions competitive advantage.
- A clearly defined medium to long term Regional Economic Sector Strategy which can and should form the LED basis of regional IDP's
- Specific proposals for catalytic interventions in targeted economic sectors.
- Format and structure of an appropriate "co-operative governance" enabling environment.
- Identification of local "champions" to continue the process and maintain momentum

GENESIS has been developed under the lead of Colin Mitchell and was first applied for the elaboration of the development strategy of the Illembé District in Kwazulu Natal. The Programme is presently busy to refine the GENESIS approach and develop a training workshop to transfer the ability to conduct GENESIS exercises to other South African support institutions and LED facilitators.

4.3 Business Retention and Expansion (BR+E)

BR&E is an instrument that has been used in the US, Canada and Australia for more than 20 years. Gerry Delaney, with the endorsement and sponsorship of Trade and Investment KZN (TIK), adapted the manual and processes and introduced BR + E in South Africa. At the core of BR + E is the recognition that it is more expensive to start new businesses than to retain or grow existing businesses and that existing enterprises can add to employment much faster than new businesses. It is, like PACA and GENESIS, a locally driven approach to economic development that offers a structured way of identifying and supporting the needs of existing local businesses. It provides a means of pinpointing and responding to their concerns, ideas and opportunities. It enables a community to demonstrate that it appreciates and supports its local businesses.

The BR + E Process starts with identifying and training local volunteers to conduct a limited number of highly structured interviews with enterprises in an attempt to better understand the obstacles and opportunities that they face. The results from the interviews are analysed by the local stakeholders and activities are launched to address challenges and exploit opportunities. There are even small activities called “red flags” that trigger a series of supportive actions to be taken by local stakeholders in the event of an interviewed business indicating that it was facing a crisis or a reduction in staff or revenue.

BR + E is a fairly low cost activity that depends on an external facilitator to develop the local competence to plan, implement, process and take forward the BR + E process. The BR + E toolkit provides samples of contracts, advertisements for volunteers, selection criteria, non-disclosure forms and even a simple software application that assists local participants with the interviews and processing of the results. It is a highly visible process, and is ideal to be hosted by either the public or private sector (preferably in a partnership).

4.4 Red Tape Workshop

Diagnostics of local economies in South Africa have frequently identified Red Tape as a major constraint to LED. Especially local by-laws are seen by many stakeholders as powerful obstacles to local economic growth.

The Programme is therefore currently designing a workshop module that facilitates the discussion and solution finding around red tape on local level. The core element of this module consists of a joint discussion process between public sector, private sector and civil society at local level, focussing on the following core questions to be jointly resolved:

1. What is an appropriate definition of Red Tape in the local context?
2. What are the main Red Tape issues in the locality?
3. Where (including at which level) can an intervention be directed?
4. How can the regulation/process/interface be modified? Which issues cannot be solved on local level and should therefore be communicated to higher levels?

The discussion process is canvassed into a sequence of mini-workshops, which cover not only the solution of existing Red Tape problems, but aim at general awareness-building amongst relevant stakeholders. The elimination of existing Red Tape is thus only the short term objective, which is expected to prepare the ground for the development of a local “Early Warning System” or “Quality Test” to

be applied to the design of future rules and regulations relevant to the local economy.

The Red Tape Workshop Module can be implemented both as a complementation to PACA and Genesis exercises and as a 'Stand-Alone'-instrument in interested municipalities. Partnerships are currently built with InWEnt and associated South African consultancy firms in order to assure the necessary capacity-building for the roll out of such a module. The development process of the module is taking place in collaboration with other GTZ programmes operating in the Public Sector Reform context to facilitate the alignment of the module with the overall Public Sector initiatives. Additionally, the South African Industrial Development Corporation (IDC), an important roleplayer in LED, has expressed its interest in the roll-out of the module.

4.5 Market Development of Business Development Services

A new approach to provide Business Development Services⁴ (BDS), the market development approach, has been adopted as guiding principles⁵ for donor intervention by the Committee of Donor Agencies for Small Enterprise Development during the late nineties. This approach grew out of the shared recognition that traditional interventions have failed to provide quality, affordable BDS to a large proportion of the target population of small enterprises. Donors were starting to realise that achieving economic and social goals was possible only by relying on business-minded actors to provide a diverse array of services. Consequently, methods were developed to stimulate the development of well-functioning service markets with a variety of services that meet the needs of a large proportion of SMMEs affordably.

The introduction of the Market Development Approach (MDA) for Business Development Services (BDS) as an important ingredient to stimulate the growth and competitiveness of local economies is another focus of the programme. The strategy of the component is on the one hand to influence South Africa's policy discussion to adopt the market development approach and on the other hand to demonstrate its practical implementation in pilot regions by qualifying South African support organisations to act as BDS market facilitators.

During 2003 the GTZ BDS / LED programme undertook detailed market assessments in two pilot areas to better understand the demand and supply of business services in these two areas. The market assessments researched 16 services in Mbombela municipality (Nelspruit and surroundings, Mpumalanga province) and Lukhanji Municipality (Queenstown and surroundings, Eastern Cape province).

The market assessments are presently followed by a phase where the data is mined, and service profiles are created that basically contain the most essential information

⁴ *Business Development Services (BDS)* are services that improve the performance of the enterprise, its access to markets, and its ability to compete. The definition of "business development services" in these Guiding Principles includes a wide array of business services, both strategic and operational. BDS are designed to serve individual businesses, as opposed to the larger business community.

⁵ *Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention*, 2001 Edition, Committee of Donor Agencies for Small Enterprise Development

regarding the current and desired state of each service, the characteristics of the market and some possible options for intervention⁶.

4.5.1 Options for intervention

Following the first analysis of the market assessment data it becomes apparent that there are two basic kinds of interventions that require different intensities of involvement from the Programme and its partners:

Interventions around awareness building and information sharing

Many of the gaps between supply and demand of the services assessed can be “narrowed” by stimulating the interaction between small companies and their service providers. Ultimately service providers need to be more aware of the demands and specific requirements of various service consumer groups and adapt or differentiate their service offerings accordingly. Service consumers need to become more aware of the options and characteristics of various service offerings and put pressure on service providers to comply with their demands.

Thus, one of the first options is to try and raise awareness around unmet demand and opportunities by sharing the information with relevant partners and service providers. This can be done by packaging the MA data into service profiles and “storylines⁷” which can be distributed to service providers (or their associations) who can then adapt or better differentiate their product offerings to small companies. Membership organizations, local media and other development partners can play an important role in the adaptation, propagation and publishing of the various formats. Seminars or networking events can be used to raise not only awareness of the MA and the relevant results, but stimulate action of service providers and their potential customers.

This option for intervention will be tested by the Programme in Nelspruit, Mpumalanga. The local partner institution will be the Local Chamber of Business and Tourism, who will contribute important local knowledge relating to their members that include both small business and service providers. The chambers role will be that of a network manager who will link service providers and their customers and provide opportunities for interaction between them. The assumption is that service providers will adapt their products to the demands of their customers. GTZ’s role will be to provide technical advice and expertise at the network meetings, and to assist the chamber to become an efficient network manager and provider of information regarding BDS services.

Facilitated adaptation of service markets

In certain cases distribution and dissemination of information will not be enough and it will be required that we engage in one-to-one or preferably one-to-many interactions with potentially interested service providers and provide assistance to product change processes and product marketing. These kinds of interventions will often revolve around making changes (improvements) to existing services and their dissemination and payment mechanisms, or to develop new or differentiated services

⁶ GTZ BDS / LED published two comprehensive Market Assessment reports, and two Executive summaries. These documents are available from the GTZ BDS / LED programme.

⁷ A “Service Profile” or “Storyline” takes the most important data relevant to a service from the Market Assessment, and presents an interpretation of information to specific target groups in an understandable format. Further analysis and interpretation may be required once the intervention is planned.



for specific target markets, with GTZ and its partners primarily playing the role of a BDS facilitator⁸.

This type of intervention is piloted by the Programme in the Eastern Cape, where GTZ partnered with the Eastern Cape Manufacturing and Advisory Centre (ECMAC). ECMAC started off as direct service provider to SMMEs in the manufacturing sector, and gradually evolved towards a more facilitating and networking role. ECMAC has decided to launch a new centre in East London that will focus exclusively on the provision of BDS market development functions. GTZ will assist the ECMAC programme with this pilot. This centre will provide information and awareness building around BDS as well as actively engage with service providers as a facilitator to develop their products offerings to SME's .

The end objective is to disseminate the learning from the pilot to other ECMAC centres and eventually to the whole MAC programme in South Africa. The Commark Trust set up by DFID is presently considering to collaborate with GTZ in this pilot.

4.6 Business Linkages

This business linkages component of the Programme is being implemented by the NGO SBP (Small Business Project). SBP was established in 1996 with the objective of increasing corporate support for SME development and promoting an enabling environment for private sector development. Its **Private sector initiative (Psi) Business Linkages programme – South Africa**, has implemented together with 80 large corporates in South Africa a series of linkage programmes in six geographical locations through the establishment of Business Linkage Catalysts/Centres (BLCs).

The SBP believes that a fundamental change in the historic methods of SME to corporate linkages is needed to avoid stagnation of growth in the sector. It is necessary to address barriers at both the SME and the corporate levels in order to get SMEs involved in activities closer to corporates' core activities. The corporates need advice and assistance on a number of activities such as opportunity identification and policy and procedure formulation. The SMEs require support to identify their developmental needs and find suitable providers to help them address these needs.

To address these problems the SBP has designed a strategy to test different methods of interaction. This is based on SBP's seven years of linkages experience as well as a recent codification exercise. It forms the third phase of SBP's Private Sector initiative and has been branded **NEL: The Next Evolution of Linkages**.

NEL is based around two thrusts. The first is a revised Business Linkage Centre, which takes SBP's existing model and adds elements that aim to help SMEs identify and address their developmental issues. The second is focused on direct or facilitated support to corporates to help them overcome their own barriers to establishing linkages.

⁸ *BDS Facilitator* is an international or local institution, which has as its primary aim to promote the development of local, BDS markets. This may include a range of services to BDS providers (e.g. development of new service products, promoting good practice and building provider capacity) and to BDS consumers (e.g. information, education about the potential for BDS purchase). A BDS facilitator may also perform other important functions, including the external evaluation of the impact of BDS providers, and advocacy for a better policy environment for the local BDS market.



The aim of the GTZ supported two-year pilot is to test NEL in a number of locations and sectors and use these results to input into the design of a broader roll out as well as feeding valuable information into the public domain.

4.7 Monitoring and Evaluation: The Balanced Score Card (BSC) Approach

With the BSC approach, the GTZ Programme is taking up the challenge to design an appropriate and efficient local monitoring and evaluation system for LED processes. Given the participatory and complex character of LED processes, the Programme aims at the development and implementation of a simple and flexible monitoring framework for LED initiatives that allows for the facilitation and guidance of stakeholder interaction towards impact.

Conventional m&e systems frequently used in the context of development cooperation (LogFrame etc.) are often characterized by a high level of sophistication, thus not only requiring high resource inputs, but also limiting the m&e system's ability to react to changes in the system's context. By adapting the BSC approach to the LED context, it is expected to overcome these limitations of conventional m&e systems and to better suit the specific multi-stakeholder setting in an LED context.

The BSC approach was first developed by Kaplan and Norton in 1992 as an instrument for private business management that looks beyond the dimension of mere financial indicators. It was implemented and developed further at a large scale in the private sector during the 90s, and has been increasingly adapted to different contexts (including development contexts) during recent years.

The core element of the BSC approach is the formulation and then translation of a clear vision into a selected set of operational objectives to drive individual and institutional behaviour. Strategy-driven performance measures provide the crucial feedback loop required to dynamically adjust and update the institution's strategy over time. The goal of a BSC implementation is the frequent alignment of all activities and resources towards a dynamic strategy. The BSC approach tries to achieve this goal by facilitating a shared formulation of a vision by all stakeholders, which is then operationalized by the joint definition of operational objectives and selected key performance indicators, which are clustered (according to dimension) and interlinked (according to organizational level) on so-called "Balance-Scorecards".

In order to adapt the BSC approach to the LED context, a pilot initiative will be started by the GTZ Programme in Ilembe District Municipality, where BSCs will be developed for the District Municipality's LED component as well as for selected local LED institutions and certain economic sectors.

The expected benefits of this adaption can be summarized as follows:

- Clarification of the vision of all stakeholders
- Gain of consensus and ownership over the LED process
- Provision of a framework for the alignment of stakeholder initiatives
- Set-up of a framework for impact-oriented action and allocation of resources

The BSC monitoring approach is both seen as a complementation to PACA or Genesis initiatives and as a stand-alone instrument for municipalities.

5 LED Policy and Guidelines

The economic cluster of the South African Government under the lead of the Department of Provincial and Local Government (DPLG) has recently completed the draft for an LED policy for South Africa. The Draft Policy will be tabled in front of Cabinet towards the end of 2004. The process leading up to the final draft entailed extensive consultations, workshops and inputs from different stakeholders around the country. The Programme actively provided input to the process in the form of presentations around LED concepts and approaches, exposure tours to LED initiatives in Germany and written inputs on selected aspects of the policy.

To realise the objectives of the policy as described in chapter 2, the South African Government is planning to focus on a key set of actions such as:

- marketing for investment promotion,
- support services for small business,
- assistance to targeted growth sectors,
- steps to build the leadership capacity and ability of municipalities to facilitate LED through grant funding, technical support, guidelines and knowledge building and exchange programmes,
- capacity building of national and provincial department officials across sectors to intensify their local economy focus and their appreciation for local economic development.
- Experimental forms of LED with innovative ideas aimed at increasing local awareness and practices to retain wealth and develop the economic potential of disadvantaged communities,
- Support to the setting up of local economic development agencies (LEDAs) or other bodies specialising in providing technical, financial and non-financial services to local economic activities and the marketing of the products and the area itself.

The Programme's initiatives support a number of the above set of actions. The next phase of the Programme is planning to assist DPLG with the building of knowledge and the development of guidelines to be distributed to all local and district municipalities in South Africa.

6 Capacity Building and Support Strategy

6.1 Capacity Building

Capacity building initiatives by the Programme and its partners take place on various levels. Policy and decision makers on national, provincial and local level are exposed to LED concepts, approaches and instruments via LED training workshops, presentations and exposure tours to German LED initiatives.

Stakeholders of the public and private sector and civil society at the local level are offered a series of capacity building events. In collaboration with InWEnt, a German development agency specialising in capacity building, South African training providers and individual LED specialists, a curriculum for a LED training course to convey concepts of and approaches to LED, clarify the role of different actors and present options for practical interventions was developed and tested in the course of 2003. This training module is in the process of being accredited in the context of the National Qualifications Framework for LED by the Local Government and Water



Sector Education and Training Authority along with South African training providers able to offer this service.

The training is also used as part of a sequence of action in those local areas of South Africa in which the Programme and its partners directly assist local and district municipalities to start LED processes as pilots. It is usually preceded by an awareness raising workshop, which aims at getting the political buy in for the LED process and followed by a GENESIS or PACA exercise to mobilise stakeholders and develop action plans.

The major capacity building initiative that the Programme is busy with is to qualify South African LED experts in LED concepts, tools and practical approaches to support local and district municipalities in their LED processes. Creating a market of LED facilitators is based on the experience that local communities frequently need some external catalytic input and support to identify and exploit available opportunities and overcome limitations with regard to capacity and competence to engage in LED processes. Instead of setting up costly state-run support systems that are often plagued with the same limitations as local government itself, sub-contracting this support to experienced LED specialists may provide a low-cost, flexible, efficient and effective alternative. Due to its central relevance to the Programme's support strategy, this capacity building initiative is described in more detail in the section below.

6.2 LED Facilitators, an Option for Support

The majority of local municipalities in South Africa are in rural and often very marginalized areas. With regard to LED implementation and support structures these communities are faced with two problems: first, local economic development officers or units within local municipalities have little capacity or competence to start and follow LED processes through.

Second, LED agencies – often proposed as a solution to the capacity problem - are in most cases too costly and thus not a sustainable support solution for rural districts in South Africa. Where they have been established they are, just like local municipalities, troubled with the problem to find adequately skilled personnel and financial resources.

Private sector LED experts selling their facilitation services to local municipalities on a part time basis are one possibility to access the required expertise and skills at a lower cost than establishing LED units or agencies. The added advantage is that the LED expert/facilitator will only receive ongoing contracts if the local stakeholders are satisfied with his or her performance.

GTZ has therefore embarked on qualifying South African LED experts in LED tools and methodologies such as PACA and GENESIS. Most of these LED experts and facilitators are from the private sector or para-statal support institutions, but sometimes also from civil society (e.g. somebody from an NGO active in LED) or from local government (e.g. an employee of a district municipality charged with providing support to a number of local municipalities).

A network of these LED facilitators has been formed to organize workshops and training events. A network webpage (www.led.co.za) is presently being set up to provide network members with state of the art information on LED worldwide, present LED tools and instruments, case studies and practical experiences from South Africa



and other places and offer a forum to exchange information and discuss issues. Network members are once or twice a year called together in meetings and workshops where further qualification and exchange of information and experiences is offered. The Programme further assists the network members in marketing their services to local and district municipalities and provides support and back-up services to the network members when working with municipalities.

The typical role of these LED experts/facilitators is to help local stakeholders with tools and methods such as PACA, GENESIS or BR+E to initiate and manage the process, carry out economic quick scans, identify opportunities, develop and sequence actions, access finance, develop appropriate organizational structures and clarify roles and responsibilities. Another important role for these facilitators, often well connected, is to link local initiatives to regional or national initiatives, agencies (such as the Development Bank of South Africa) and funds where appropriate.

The increasing request from local and district municipalities for the services of these specialists seem to prove that there is a demand and sufficient finances available for such an approach.

7 Dissemination and application of lessons learned

An indicator of the value added by the Programme's activities is the extent to which the approaches and tools or elements of them are reflected in policies, guidelines, institutional strategies or used in other initiatives either nationally or internationally financed.

The Programme is at present collaborating in various ways and intensities with:

- The Department of Local and Provincial Government
- The Department of Trade and Industry
- Mpumalanga, Eastern Cape and Kwazulu Natal Provincial Governments
- Ilembe and Cacadu District Municipalities
- Mbombela, Lukhanji, Mbashe and Ndlambe Local Municipalities
- Trade and Industrial Policy Strategies (TIPS)
- The Lowveld Chamber of Business and Tourism (LCBT)
- The NAMAC Trust, an SMME support agency within the [dti](#) group (the South African Department of Trade and Industry)
- The Development Bank of South Africa (DBSA)
- The Industrial Development Corporation (IDC)
- Eastern Cape Manufacturing Advise Centre (ECMAC)
- Eastern Cape Development Corporation
- Small Business Project (SBP)
- International Business Advisors (IBA)
- The Business Skills for South Africa Foundation (BSSA)
- LED facilitator network
- The ComMark Trust
- Triple Trust Organisation
- The Tourism Enterprise Programme funded by the Department of Environmental Affairs and Tourism and implemented by ECI Africa Consulting

Within the donor community, interest in some of the approaches and tools of the Programme is increasing. The European Commission has started two large provincial LED programmes in Limpopo and Kwazulu Natal in the course of 2003 and 2004. A third one will start in the Eastern Cape in 2005. All three programmes have adopted elements of GTZ's approach, in particular the bottom-up approach of stimulating creativity, networking and a sense of ownership at the local and regional level, the GENESIS and PACA tools and the use of LED facilitators trained by the GTZ Programme. The Australia South Africa Local Governance Partnership is planning to use the PACA approach in the Free State. And of course a number of other GTZ programmes, such as Rural Livelihood Promotion in the Eastern Cape, Mpumalanga Rural Development Programme, Training and Support for Natural Resource Management and the Basic Employment Skills Training Project are already using or planning to use some of the instruments.

For further information, please contact:

**Gabriele Trah, gabriele.trah@gtz.de or
Shawn Cunningham, shawn.cunningham@gtz.de
GTZ Business Development Services/Local Economic Development Programme
P.O.Box 13732, Hatfield, 0028
Pretoria, South Africa
Tel. +27 (0)12 342 35 37**