FROM COMMUNITY DEVELOPMENT TO SUSTAINABLE SOCIO ECONOMIC ISLAND DEVELOPMENT

WORKSHOP OF THE LOCAL ECONOMIC DEVELOPMENT NETWORK PROMOTED BY THE LÉVÉ-DÉBOUT PROGRAMME

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DRAFT
Let’s share some platforms.

Platform 1: Growth or Development?

There are substantial differences, as the following table 1 shows.

<table>
<thead>
<tr>
<th>Growth</th>
<th>Development</th>
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<tbody>
<tr>
<td><strong>Quantitative Approach</strong></td>
<td><strong>Qualitative approach</strong></td>
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<tr>
<td>It is measured by numeric achievements, such as Gross Product, Rate of Export, Employment, etc.</td>
<td>It is measured by the capacity of generating continuous sustainable development and welfare.</td>
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<tr>
<td>It implies a short term vision</td>
<td>It implies a long term vision</td>
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<tr>
<td>It does not necessarily take into account equity and environmental sustainability</td>
<td>It does take into account equity and environmental sustainability</td>
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Development means save as a treasury the resources existing in a certain territory, either they are economic resources, or human resources, or environmental resources.

Growth paradigm often destroys these resources.

The example of Southern Italy

Historically the southern part of Italy is the less advanced one, and it is still now, although this country is one of the most industrialised of the world.

In order to fill this gap after the second world war the Italian government decided to apply a policy based on three guidelines:

1) Incentive external investment, mainly for heavy industry plants (chemical, auto, iron, etc.)

2) Realise big infrastructure (roads, electricity, ports, airports, etc.) in order to attract the investment

3) Realise a strong social assistance mechanisms (pensions, social funds, etc.) in order to create political consensus for people not included in the economic circuit.

One of the characteristic of the big industrial investment was to be the so called "cathedral into the desert", because they have been using the local manpower, but all the produced income never remained in the contexts where they were, neither they were able to create a dynamic entrepreneurial ent, for instance for supplying goods, inputs and semi-products to the installed plants.

On the contrary they destroyed resources.

The big chemical or iron plants were installed, for transportation reason, near the sea, often in wonderful natural places, such as bays or gulfs, contaminating water and the environment.

One classic case was that of Alfa Romeo, a automotive industry close to Naples.

It was inaugurated in 1970, with the applause of the political parties, the entrepreneurs, and the trade unions, because it employed 15,000 people.
Nevertheless who the majority of this people were?
They were small farmers or artisans, with sometime specific specialisation and skills, and they were send to work to the assembly chains, to do elemental manual jobs.

At the beginning of the 80’ international crisis and the technological great changes led to the crisis of many (or about all) of these plants, that generally were decentralised facilities of big enterprises having their headquarters outside of southern Italy (Fiat, Shell, Italsider, Eni, Ford, Pirelli, etc.).

Many of the workers were dismissed (charging the national budget of a big amount of money, because of the needs for social protection), and they, having forgot their previous skills, found themselves in the condition of not having other alternative that unemployment.

The welfarism and the certainty of the job in big consolidated industry did not allow people to never think in terms of entrepreneurship, and the result of this was that everybody was claiming or for new jobs in industry never more coming, or for jobs in the public administration (difficult for the public budget crisis), or for assistance.

As matter of fact the gap between southern and northern Italy in more than 50 years of this policy has grown, instead of decreasing.

Often the growth paradigm generates social conflicts.

The two-third society.

During the most happy period of growth in Europe (1960-75) was commonly assumed that industrialised countries could not include actively in the economic pattern all of the active population, because of efficiency and competitiveness biases. At least 1/3 of the population should be regarded as assisted via social protection mechanisms (minimum salary, unemployment grants, housekeeping women checks, etc.).

With the crisis of the public budgets (1990-2000), this system cannot work anymore. The social conflicts in Europe increases and the political response is weak, no matter of the colours of the government (right or left).

On the other hand many civil wars in developing countries are due to social inequalities, and the unequal distribution of richness.

Platform 2: Development needs human resources, not only financial resources

The human intelligence and capacity is at the base of development, as we defined it as the capacity of creating growth and welfare.

You could have a great financial resource, but it could be destroyed if not well used, and on the contrary you could have small amount of money and use it intelligently for adding value and richness.

In the course of the discussion we will appreciate how the collective intelligence is that makes the difference, because it is not just the sum of the individual intelligence, but more than that, through interaction and exchanges.

Localities where cooperative and participatory mechanisms put in action development plans and strategies, where all the components of a society were put in conditions of express their needs, points of view, proposals, and were put in conditions of participating to the decision makings, these localities represent success stories.

Cooperation and participation are possible better at local level, because of the proximity, the commonalties about values and needs, and the same identity.
Platform 3: Economic development and reduction of poverty

In the majority of the cases economic development policies and reduction of poverty policies never meet each other.

The strategies for alleviating poverty are often finalised to facilitating the access for poor people to social services, mainly health and education. Necessary social infrastructure and services are created or improved, so that they are at disposal of the excluded population. Is that enough for alleviating poverty? Evidently not, because income and sustainable jobs are needed!

Therefore in some cases the above-mentioned strategy is accompanied by micro-initiative for supporting micro economic activities and income generation opportunities.

This is a very important starting point, because it stimulates people, who never had even though before to enterprises, start assuming practice in not-only-survivalist activities, learning how to produce and sell products and to the market rules.

Nevertheless, in the majority of the cases, these policies do not go forward. People remain, in the best cases, at a very low level of income and do not achieve the possibility of go further than its very-micro semi-business. They are above of the zero-income survivalist-line, but still below the poverty line. Poverty reduction is still far a way.

On the other hand, economic development strategies are generally based, mainly in developing countries on attracting external investment and, in some cases, in combination with privatisation.

Without commenting the appropriateness of these strategies (again the question growth or development, and it depends on what type of external investment), one thing is sure: they do not bother about poverty reduction. This is considered a social issue, pertinent to social affair's departments, nothing to do with the national challenge about economic growth, on charge of the economic and financial ministries.

Is it possible to counterbalance this trend?

This is the real challenge, In the following part we'll try to provide some contribution.
The problem is, then, to combine economic development and poverty reduction strategies, in order to implement sustainable socio-economic development strategies, according to the following scheme.

This is first of all a long-term vision strategy

**The case of Cesena**

*Cesena is an Italian rural Province, that, as all the Italian areas after the second world war, were very poor and without many resources. Nevertheless people historically were dedicated to cultivate fruit and vegetables. These crops always were considered of a particular good quality due to the micro climate and to the capacity of the local farmers. But the crisis were there and they though something had to be done.*

*The farmers (mainly cooperatives) gathered together and called the local government to find a solution. They decided to bit on their good products (they have a comparative advantage to other similar in Italy and Europe, but it was not enough); they decided they wanted to become the best area producing fruit and vegetable in the world, although they knew it could be achieved in a long period. They called all the other resources in the province to participate to this challenge: universities, banks, agriculture experts, schools, service providers, and they decided to gather efforts for this only objective.*

*Therefore, they first improved their production, in terms of quality and economy of scale, their commercialisation, and formed a company for export. Contemporary school and university constituted specialised courses, and the university of Cesena a specific research line.*
One important innovation was in the transportation. The problem was how to transport fresh product to London or Hamburg. Mechanics, university researchers, and farmers studied the problem and they came up with a new truck for that. Investment were found in the banking system for realising it and now it constitutes an important competitive, or unique, example.

But they learned that continuous innovation is the key for competing. First of all, they wanted to complete the chain of value, establishing processing industry for fruit and vegetables: new businesses came in the sector of packaging, frosted and dry products, new financial mechanisms were created through cooperative guarantee funds. New technologies imposed to be updated, so they recently established a Scientific and Technological Park for fruit and vegetables.

The conclusion is that actually Cesena is the first export European area in the world for this kind of products, and full employment resists since long time, despite the many international economic crisis, which affected other areas, where big plants and heavy industry exists (Piemonte with Fiat, Southern Italy, Liguria, etc.)

Step 1: The bottom-up participatory approach at local level for learning how to compete.

The "bottom-up" participatory approach is the key for development. The local, public and private actors, in other words the social capital, should be in charge of the actions for investment and of the control of the processes. And it is possible at local level.

At local level, in fact, the local stakeholders:

- know the resources they can valorise and they know how to use them.
- know their specific needs for development and how to respond to them.
- can gather and coordinate resources, thanks to the familiarity, the reciprocity, the common needs and objectives.
- can lobby and channel more resources.

Social capital is "the ability of people in working together for a common objective and in an organised and voluntary manner, sharing rules and values able to subordinate individual interests to collective ones. The social capital is based on the reciprocal confidence, in the mutual expectation of future benefits, linked to the existence of cooperative behaviours and shared rules"1.

It is a learning process, that uses various instruments and tools for managing a long-term, permanent path, beyond conjunctural factors, and it is generally produced from specific circumstances of threaten or risk for the territory.

The willingness and the capacity of the local stakeholders of cooperating for establishing shared objectives, strategies, and actions for local economic development is demonstrated to be the base of the success of the Italian districts, the clusters and the productive area’s systems, of the Ledas, and of all the other initiatives on local economic development.

A LED process always starts when local people, eventually together with national or even international institutions, joint for discussing together about how to establish common strategies for achieving determined aims and objectives, generally dealing with employment, fight to poverty and exclusion, improvement of the territorial quality and competitiveness.

This initial Local Forum is also the embryo of the participatory forms, which will assure good governance to the development strategies in the area.

The embryo will then develop its own growth and models, according to the local culture, the cooperation levels, the established strategies, and the defined implementation instruments or structures.

The initial Local Forum has the main task of identifying:

- what is the vision the local actors have for the sustainable future of their area, what the main aims they want to pursue;
- what is the strategy they consider appropriate for achieving the above-mentioned objectives and aims;
- what are the operational and organisational instruments for implementing the strategies.

The vision responds to a very simple, but crucial question: what do we want our territory become in 15-20 years?

The strategy has to do with the definition of the priorities, the commitment of the actors, the feasibility of defined actions, and also with the identification of the sustainable structures needed for carrying on these actions. Without implementing mechanisms and organisations (it could be the network of already existing organisations, or brand new ones), especially in poor context it is very difficult to organise an effective plan of actions leading in a coordinated manner to established objectives.

Nevertheless in disadvantaged areas the problem of the sustainability of the LED process is critical. The scant resources often at disposal, either from the public sector (public investment, public budget) or the private one (private investment, savings), do not allow the provision of sufficient funds for supporting all the LED initiatives. The grants of the international cooperation, even if finalised to LED
plans, finish when the projects are over. The credit lines, if not appropriate and not revolving for permanently financing LED projects, also have limited period of time.

A question: What the role of the private and what of the public sector?

While market mechanisms are characterised by the absence of dedicated coordination among decentralised actors and hierarchic governance relies on government as an autonomous governance actor, the new forms of governance are marked by loosely coupled interaction between private and public actors, with the goal of shaping structures in a policy field. Government here acts as an impulse generator and moderator, promoting a dialogue-oriented industrial location policy. In other words, governance mechanisms “between markets and hierarchies” are based on a coupling of the logic of free-market mechanism and hierarchic, classically statistic forms of governance.

Generally, participatory governance improves the performance of the public and the private sector. Neither one nor the other, in fact, has the appropriate resources for solving the development problems, but together they can pursue it.

Public administration, which continues to have the role of catalysing the local environment, to set legislation, and to establish local planning and operational rules, does not have—and it should not have—the capacity of delivering development services and activities. It lacks of professional competence, of flexible delivery organization, of capillary monitoring system on the economic processes. It is bureaucratic, financially constrained for expenditure’s decisions (because of the necessary public budget control system), short-term objectives oriented, because of the electoral systems and the need to provide quick responses to the electorate, whereas sustainable development strategies need long-term management.

Public administration, therefore, needs the partnership with the private sector, in order to set up mechanisms, which allow deliveries in terms of projects, activities, fund raising, business services, financial support, in a coherent manner with the established strategies.

Private sector, which has the fundamental role of realising economic initiatives and businesses, relying on its capacity of exploiting market opportunities and organising the factors of production in entrepreneurial form for adding value to the local economy and creating jobs, cannot realise its role without legal framework, rules about location, administration, investment facilities and incentives, management of environment, labour market rules.

The private sector in this case is not represented only by the existing entrepreneurs, but—especially in poor regions—by all the potential ones, that are the majority of the active population of women and men, which is seeking for opportunities.

The performances of the public-private partnership are above the sum of performance of each one. In fact the result is not only the coherence between reciprocal commitments. It allows new added value for the development of the territory. It allows generating development, jointly managed structures for the efficient delivery of projects and services, saving transaction costs, pursuing social objectives, and realising lobbies towards national and international institutions.

What the role of national government?

It could primarily set up a regulatory framework, including:

- a bill, which establishes local fora for strategic local planning and Local Development Structures;
- A bill, which allows local administrations to decide how to spend national resources on local economic development initiatives and issues;

- Regulations for establishing specific guarantee funds for facilitating the access to credit for disadvantaged people; including stimulus and incentives to constitute mutual or solidarity funds could be established as well, through tax reduction or subsidiary mechanisms.

- A policy which facilitates the coordination of different national ministries, that address resources to local initiatives, for avoiding duplications and harmonising the use of the funds;

- A policy which facilitates the coordinated use of the international cooperation resources, for avoiding duplications and harmonising the use of the funds.

- It could act like catalysts and mediators, fostering the different initiatives for local economic development, decentralising the information, stimulating and impelling the development of local systematic initiatives; monitoring and balancing the different local initiatives.

- Assigning a responsibility for the promotion of the LED initiatives (LED Department), which will spread the necessary information about the regulatory framework and the world experiences, through different media systems (brochures, bulletins, web site).

- Promoting the LDS network, in order to facilitate the exchange of experience and to realise scale economies.

Establishing a Committee for monitoring the different LED initiatives, for establishing an unique evaluating and measuring mechanism, which is at the base for successive national support. The monitoring activity should regard the sustainability, the impact, the efficiency and the effectiveness.  

Introducing the criteria of a social balance, together with the financial balance for LED initiatives.

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**Step 2: Towards a shared strategy for territorial competitiveness**

The elaboration of a strategic vision for the development of a certain territory is, indeed, the first step the local actors pursue for clarifying what achievements they share. It is also the first step for the learning process for building the social local capital and a fundamental exercise for fixing collective ideas, exchanging interests and values, identifying strengths and weaknesses of their territory, all the necessary issues for the assessment of future coherent actions.

The elaboration of the strategic vision represents an important way for improving the social cohesion. It is not an easy result; sometime it takes time, because of the different and contradictory positions and interests, but, once the local actors achieve an agreement on what they jointly want, on how they imagine their territory become in ten-twenty years, all the rest turns easier and more effective.

A rural area may be imagined transformed in specialised agro-industrial system; a marginal area could exploit tourism attractions for realising an integrated agro-artisan-industry-service system.

Forestry could turn as resources for tourism and wood industry; specific geographic location can be exploited for setting industrial and service's activities, etc.

Depending on the starting conditions, the way to achieve the above-mentioned strategic objectives could be long. That's why the consensus of the local actors about priorities, the identification of specific implementing tools, and of the decision making process is important.

**But the more important is development is based on some products or service, that can be pursued or sold as unique, with characteristic that differentiate it from anyone else, this differentiation**

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2 see at this regard ILO; UNOPS, EURADA, ITALIAN COOPERATION, “Local Economic Development Agencies”, and Barreiro “Desarrollo desde el territorio. A proposito del desarrollo local” in www.redel.cl/documentos
- or competitive advantage, based on some specific quality or other performance, such as just-on-time, after-trade services, maintenance systems, guarantees, financial facilities, location, cultural-historical features, etc.

A development strategy is always a trade-off between the promotion of local firms and the attraction of external investment. All depends on the starting conditions, but in marginal areas local firms at beginning are preferable or the unique solution, due to the weak territorial context. It, furthermore, will reinforce the economic system, improve the labour market and stimulate new infrastructure, so to render attractive the area for external investment, above the advantage for cheap labour costs.

The risk of a development based only on local enterprises is a non competitive system or closed to local markets businesses. The risk of a development based mainly on external capital is dependence and fragility to respond to national or international crisis.

A balanced strategic vision of the development consolidate through a virtuous circle either local businesses, or the infrastructure and the labour market (see figure)

Nevertheless creation and growth of smme's, the backbone of locale economies, depends on a number of integrated factors, such as mainly the following:

- availability of human resources
- availability of external economies (services, suppliers, markets, etc.)
- legal and fiscal regulations
- access to credit
- access to technology.

Especially (but not only) in poor contexts the access to the above-mentioned factors of production is difficult for single entrepreneurs. That is why entrepreneurs in many experiences gather together in mutual cooperative forms for realising critical mass and synergies and making easier to form human capacities, share business services, realise interconnected chains of value (supply-production-clients), organise mutual solidarity credit schemes, exchange and share innovations and new technologies.

Furthermore the modern competition is more and more generated by territorial systems. Local networks with suppliers and clients, as well as with business service organisations, human resources qualification, or others, in order to catch the externalities derived from the associative cooperation, the territorial proximity, the economies of agglomeration, reduce uncertainty levels and the costs of transaction. The territory become, in this way, instead of simple stimulis of innovations and amplification of information, a “pro-acting actor” of strategic resources and positive externalities for the productive efficiency and the enterprise competitiveness.

Two are the main virtues to Local Economic Development:

1. It overcomes market failures, mainly because it generates trusts, leads to match collective and individual interests, and reduces, after an initial period, production costs;

2. It galvanises the population, mainly because it provides objectives and sense of purpose, and it stimulates citizens to participation and entrepreneurial ventures.

This competitive advantage often derives from a systemic competitiveness, which facilitates small and medium local enterprises to succeed, mainly through cooperative and competitive modalities. It appears also evident through forms of territorial marketing, beyond individual trade: everybody knows the

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3 Andres Rodrigues-Pose
4 See A. Rodriguez Posé, ibidem
Parmisan cheese because it comes from Parma, but nobody knows the individual entrepreneurs who produce it. Nobody worries about the producer, but about the origin, if she/he has to buy Champagne or Bourgogne or Chianti wines; or Swiss watches; or Sri-Lanka's tea.

Of particular significance are: a competition-related configuration of material infrastructure (transportation, communications, and energy systems) and sectoral policies, above all education/training policy, research policy, and technology policy; a specifically formulated trade policy and regulatory systems (e.g. environmental standards, technical safety standards), the selectively support to emerging industrial clusters, that contribute to the emergence of specific local/national competitive advantages.

Productivity and competitiveness factors

<table>
<thead>
<tr>
<th>PRODUCTIVITY</th>
<th>COMPETITIVENESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training, and vocational system</td>
<td>Differential products</td>
</tr>
<tr>
<td>Basic Infrastructure</td>
<td>Quality and certification</td>
</tr>
<tr>
<td>Transportation</td>
<td>Market information</td>
</tr>
<tr>
<td>Telecommunication</td>
<td>Design and marketing</td>
</tr>
<tr>
<td>Labour relationships</td>
<td>Comprehensive service for competitiveness</td>
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<tr>
<td>Technology</td>
<td>Business Clusters</td>
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<tr>
<td>Credit</td>
<td>Modern financial assets</td>
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<tr>
<td>Production services</td>
<td>Innovation capability</td>
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3 Step: Building the chains of value

The economic potential of a certain territory is the assembly of the different typologies of resources, that can be exploited for building a sustainable and competitive development.

The key component are:

- Natural resources: environment, climate, mines, mineral products
- Cultural resources: archaeology, history, cultural heritage, etc.
- Agriculture, livestock, fishing
- Existing industry
- Human resources: knowledge, skills, experience
- Institutional resources: knowledge, skills, associations
- Infrastructure
Service to production and individuals

After having chosen among them what is potentially the most competitive one, according to its unique and differential characteristics (there is a method for this, that ILO has developed, called SECP, sustainable, exploitable, competitive potential), it is possible to build its "chain of territorial value".

A "chain of territorial value" is a sequence of economic activities, interrelated each one with another, and each adding value to the previous one.

The chain includes:

- The basic product
- The inputs and the technology needed for its production
- The activities for processing and transforming it.
- The inputs and the technology needed for the above mentioned transforming process. The support services (commercialisation, training, transportation, information, control quality, etc.)
- Research and innovation
- Activities for complementing the access to market

The chain is constituted then by four main axes, as shown in the following figure.

Example

Basic product: cow
Inputs: Feed, ground quality, health support,
Technology: food, veterinary, feeding
Industrial transformation: Milk, milk products, meat, meat product (salame, ham, etc.)
Inputs amnd technology for industrial plant: equipment, machinery, maintenance, etc.
Services: Veterinary, market and technology information, transportation, , comercialization, quality control, research, etc.
Complementary activities: Packaging, advertising, marketing, direct trade, export, etc,
Once each “ring” of the chain has been identified, next step is to assess what is existing already in the territory and what not.

Therefore, it has to be evaluated if the **existing** activities are effective for competitive purpose or they have to be improved and enlarged.

If “rings” of the chain are lacking in the territory, **new opportunities** exist for creating business and jobs. Nevertheless, not always it is convenient to create new products or services, if buying them outside is better.

At the end of this exercise, then, two important results will be found:

1) **Opportunities for new businesses**

2) **Opportunities for increasing portfolio for existing businesses**

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A question: would it be possible in small areas, such as Rodrigues, finally to find opportunities for product or services that already are available outside? Would they be competitive?

Let’s take one potential product, the lemon.

Probably some of the needed input, such as fertilising products, or sophisticated equipment will be bought outside. But what about simple tools? Or processing small plants for liquor jam, herbs, and even natural cosmetic or medicine?

The same thing for services.

Some need links with external institutions, such as marketing and research, but with focal points in the area. Some already exist, but they have to be improved, some (communication, packaging, transportation, etc.) can be created easily.
Fourth step: including poor people

Let's consider what poor people would need for using the opportunities provided by the chain of value.

1) **Information and stimulation**
   
   They need somebody inform them about this opportunity. The information alone is however not sufficient, because they do not know how to use it, if the information is not accompanied by the explanation how they will be assisted in this process.
   
   There is all a stimulation work to be done, mainly at grass route level, in the communities.

2) **Basic preliminary entrepreneurial education**
   
   This stimulation will continue through education towards basic principle of entrepreneurship, just to introduce people that never are thinking about business to what producing and selling mean, and the difference between survivalist activities and commercial activities, between family income and business income.

3) **Support to micro business start up**
   
   Through the first pre-entrepreneurial training, it is possible that some of the participants show the interest to start up some micro business, but they do not know how to do it.
   
   They need a) further training for micro business start up and b) some financial support, such the one put at disposal by th Lévé-Débout Programme.
   
   This will build practice in business management and the awareness that micro enterprises are a good way for coming out from survival conditions.

4) **From embryo to real business**
   
   These embryo business, preferably selected among the opportunities offered by the aforementioned chains of value, are not yet at the height to produce sustainable development. Generally the very-micro credit schemes (under 1000 USD and individual) do not impulse a virtuous economic circle. They finance working capital and not investment, and therefore the generated income goes on one side to family consumption, on the other side for re-paying the loan, and some on micro-savings, but not to generate capital for new investment, that is needed for growth.
   
   Therefore, a step further is needed for some semi-professional consolidated business activity.

5) **Business training**
   
   It needs more training on commercial business and credit above the micro scheme. Through this entrepreneurial more detailed training programme a new selection will come among the micro-entrepreneurs, who participate, and the selected ones will be able to elaborate their preliminary business plan, allowing their business to growth, possibly through conversion or through improvement of their existing activity.

6) **Pre-start-up technical assistance**
   
   At this point need technical assistance for the final elaboration of the business plan, to be submitted to the credit. It should be provided by a specialised organisation existing in the territory.

7) **Credit**
   
   The access to credit is not easy. Often the banks do not provide loans to people without collateral, and it is exactly the case of the majority of poor people. A specific credit scheme should be identified. Often the Guarantee Fund allow to guarantee credit without collateral: mutual solidarity revolving funds result a way how to enable the return of the loan, thank to the social pressure. In any case the participation of the people in the credit scheme is a way to improve its performance.
8) **Post-start-up technical assistance**

Nevertheless credit only is not sufficient. There are many experiences that put at disposal credit, without receiving any application. Credit shall be accompanied by information, training, support pre-start-up, but also by support post-start-up. One of the not enough considered critical elements of development consists in the mortality of new enterprises. In developed world it achieves 70% in the first two years: it means that by 10 businesses borne at a certain date, seven fail during the first two years. It is fortunate that in these countries more than seven born in the mean time, so to achieve a positive balance.

The post-start up services have to deal with commercialisation, administration, technology management, market information, etc.

Through this cycle poor people can be included in a virtuous circle for development, although this is necessarily a gradual, step-by-step process.

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A question: in rural areas farmers are generally very conservative, and they not easily can be convinced to change their behaviors. How to push them to new businesses?

Innovation like these take time to be spread in the community. It is a gradual process, where first steps are important. It would be extremely positive that at the beginning only a few part of the population take an effort (let's say 10%), and give example to others. By example, imitation, and achievements of the first results more and more people will be convinced, and the trend about new entrepreneurship will be exponential. The Lévé-Débout programme is a good example for it.

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Another question: can illiterate people get into business management?

There are specific training didactic that can be provided without using literature, but with simple talks and drawings. People have to understand basic principle how to manage a business, and this can be achieved independently on literacy.

On the way forward, when some administration (book keeping, contracts) is needed, literacy is needed as well. In this case illiterate people have to be accompanied in their business by some literate partner, or by an organisation that helps (often they can gather in cooperatives, or form an administration community board, or receive direct support by some local agency).

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The following picture summarises the above mentioned process through the four illustrated steps,
Question is it is necessary some place, some organisation which is able to organise all this sequences, taking inputs from the shared strategies and transom them in operational issues. This could be the role of the Rodrigues Economic Development Network (REDN).
Chapter 1: From Community to Island development

According to the strategy of the "chain of value", some priority potential product have been chosen by the regional stakeholders: lemon, fish, meat, tourism, etc.

Each of one of them implies two main issue for realising the territorial competitiveness:

1) A critical mass of product to be sold efficiently on the external market. This means where fragmented production exists, it should find a way of associate it for realising sufficient volume. Similar products from each community have to be gathered and sold together, to get better prices. And this is valid also for buying inputs and intermediary products, or technology, that can be shared by the producers.

2) Processing plant and services cannot be located in each community, but they will work for everyone: it is the case of an agrofood industry, or for commercialization services, or for transportation, or packaging. Where to locate them is another question and the regional stakeholders could diversify the location and settle one in one place, one in another one, and so forth.

There is no doubt that in this case reciprocal advantage will exist. In the case of a processing industrial plant, it will buy products from the farmers, in the case of services they will have their market all around the island, and scale economy will be realised.

The development projects also should follow the same path. It is meaningless develop 20 micro economic development projects for 20 community, one isolated from the other one. On the contrary 20 micro projects could also be realised, but, if they respond to the same island development objective, the result will be more sustainable.

The idea of a sustainable island development should, in fact, inspire an overall development projects, that can be also constituted by regional initiatives and investment and correspondent community initiatives and investment. This is synergy!

Chapter 2: The needs for supporting the development strategy and social inclusion

One important exercise the regional stakeholders should carry on is the collection of the needs for implementing the elaborated strategy.

It should finally drawn a table such as the following, realised in occasion of the Rodrigues workshops (20 June 2003)

<table>
<thead>
<tr>
<th>NEEDS</th>
<th>SOLUTION</th>
<th>EXISING RESOURCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Literacy</td>
<td>Education</td>
<td>School</td>
</tr>
<tr>
<td>2) Entrepreneurial Skill</td>
<td>Stimulation and credit</td>
<td>Smido, Sme Challenge</td>
</tr>
<tr>
<td>No.</td>
<td>Service Description</td>
<td>Activities</td>
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<td>3)</td>
<td>Business Administration Skill Training</td>
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<td>4)</td>
<td>Technical Skill Training</td>
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<td>5)</td>
<td>Association Stimulation</td>
<td>Technical assistance</td>
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<td>6)</td>
<td>Improvement productivity Training</td>
<td>Technical Assistance</td>
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<td>7)</td>
<td>Commercialization and marketing Services</td>
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<td>8)</td>
<td>Credit Services</td>
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<td>9)</td>
<td>Innovation Research, Technical Assistance, Information</td>
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<td>10)</td>
<td>Information and Communication (internal and external) Services</td>
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<td>11)</td>
<td>Quality Control and Certification Service</td>
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<td>12)</td>
<td>Project development Service</td>
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<td>13)</td>
<td>Cluster and chain of value promotion and monitoring Service</td>
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This exercise put in evidence two main issues:

1) Some services do not exist at all, and then they have to be created.

2) Other ones exist, but the discussion shared they are not coordinated. Each one follow each own criteria of delivery and target, and not necessarily they are coincident.

There was an agreement on the fact that, if sustainable development have to be pursued, together with the fight against poverty and the sustainable job creation, a certain coordination would be recommendable. The primary role of the REDN should then be to promote -and eventually carry on- the lacking services and to assure the coordination of the existing one.
Chapter 3: the one-stop-service

Who is demanding services? The individual entrepreneurs or the cooperative is the one who need them, and generally all together.

Example 1: The new entrepreneurs

Let’s take the case of somebody who wants establish a new business.

First of all, he does nor have the information what to do. He need somebody providing him this information. Then he learn that he/she shall prepare a business plan and apply to credit. He/she goes to the bank and he/she receive a complicated format, which includes business plan, market analysis, financial balances, etc. But he/she does not know how to do it. May be the bank address him/her to some consultancy, so finally he/she goes again back and make this third round trip. Finally he/she has the business plan and goes back to the bank, but the bank find something lacking. The commercialisation modalities are not clear, he/she should better be assessed by the Commercialisation Agency. He/she goes there and they find his/her product is not that viable, better changing typology. So he/she starts again the infinite trip, and, if they resist, may be, after a while, they will succeed. But how many have so much patience?

Example 1: The entrepreneur has a problem

Our existing entrepreneur has trouble to maintain the level of sells, and he/she decides to go and have a consultancy. Since, in his/her evaluation, the problem is the trade, he/she goes to the Commercial Agency.

They, in fact, confirm that the product has some problem and suggest to change commercial strategy, for instance selling it to distribution chains or to warehouses.

He/she applies the suggestion, but the result is not different from before.

What happen?

A new meeting with other experts resulted that the problem was not in the commercialisation, but in the fact the a new competitor came in and that they should differentiate the product if they wanted to survive!

What is the learned lesson from the two examples.

Often the micro and small entrepreneur does not have the instruments for checking up how to analyse his/her needs. He/she cannot go around, navigating in the dark, until they find casually the solution. It is wasting time and cost.

He/she should find a place where preliminary analysis on its need is carried out, and then the right recommendations are given, so that eventually he/she can go to the right people and pursue the right procedures.

A one-stop-service is needed.

This is more than the common developed one-stop-shops. The one-stop-shop is a kind of window desk, waiting for clients to serve and address.

The one-stop-service is a kind of proactive service, which anticipates or even creates the demand, because that is needed in poor context, where the demand is scant.
The one-stop-service responds also to the previous question of the coordination of different existing services, once it is managed by the assembly of them, and they share common objective and functional criteria.

The different stakeholders have different way of participating.

1) Not participating at all

2) Providing full-time commitment. All the activity of its organisation will be orientated to fulfil the task of the REDN (in this case it organises the one-stop-service)

3) Providing part-time commitment. Only one part of the resource will be dedicated to the REDN delivery

4) By contract. They will guarantee services, when and if requested, according to specific case-by-case contract.

A question: Is this one-stop-service something above the network members or at a side?

There is no fix answer to this question. Each context should find its way.

In fact many network configurations exist.

In the Rodrigues case, however, it seems strategic services are lacking, such as information, communication, innovation, quality control, association and cluster promotion, and project development.

On the other hand business services are available, as well as community development promotion services, in other words micro-economic services.

This should lead to the conclusion that a second level structure is needed, and it might coordinate and represent the first contact also for business services, once all the local stakeholders share such a project.

Nevertheless one of the critical issue will be the self-sustainability of this organisation, and it needs further discussions.
FROM COMMUNITY DEVELOPMENT TO ISLAND SOCIO-ECONOMIC DEVELOPMENT

FOURTH PART: THE ILO EXPERIENCE WITH THE LOCAL ECONOMIC DEVELOPMENT AGENCIES

The experience undertaken by the International Labor Organization (ILO) jointly with the United Nations Office for Project Services (UNOPS), and UNDP (United Nations Development Program) is mainly directed towards the establishment of Local Economic Development Agencies, that could be identified as one of the most powerful instrument for implementing LED strategies, specially for including disadvantaged people.

They generally help elaborating strategic plans for territorial development, choosing priorities, and creating a favourable environment for businesses. They provide or organise a comprehensive one-stop service system addressed to the needs of the population without resources, for creating new businesses and reinforcing the existing ones. They organise the local competencies to make the best use of the endogenous resources and add value to local economy. They reinforce the local business and workers organisations, the cooperative movement, the civil society to take advantage of the economic opportunities. They are, particularly in the beginning, autonomous small structures (not more than 8 people working at full time), whose members are the public and private local stakeholders, including often also national institutions or their delegations or representations at local level. The public-private membership has turned to be one of the key of their success.

Within these LEDAs the role of the local or national administrations has been of two types: on one side the local administrator have been often the main supporter and promoter of such LEDAs, because they recognised their importance for fostering economic development and providing an answer to the employment problems, reinforcing the role of the local actors. On the other side the local administrators, having at disposal a technically valuable and managerially reliable body (the LEDA), have had more chances for channelling resources put at disposal from national or international programmes, increasing the opportunities for job creation. Many examples could be made of how these LEDAs managed to reach the institutional level of sustainability.

International cooperation programmes that before could not find the condition for local management were rendered possible with the presence of the LEDA. Other initiatives, which before were carried on in a unarticulated manner, managed by one or another local or international Non Governmental Organizations, have found their coordination through the assistance of the LEDA.

Generally the services provided by these LEDA are:

- Information to the population about the business opportunities, the provincial, national, and international programs and projects, and the relevant initiatives foreseen in the area
- Business technical assistance (from the business plan to the operation) to Smme and small farmers
- Access to credit for the most disadvantages people, with a viable business plan
- Access to markets, through promotional campaign, linkages and ad hoc initiatives
- Access to training
- Assistance to public institutions and administrations for issues related to LED management (planning, monitoring, information data base, diagnosis map of resources etc.)
- Business networking
• Territorial marketing

In the Balkan Region (where 10 LEDAs are so far operating) the problems linked to the transition to the market economy, to the abandon of the big “conglomerate” industrial complexes in favour of a more articulated system of small enterprises have been faced successively by the LEDAs in Bosnia-Herzegovina, Croatia, Albania, and Serbia. The LEDAs have represented also an opportunity for enhancing administrative decentralisation, approximating people to the institutions and reinforcing the civil associations, strengthening the financial structures, thinking to local planning.

In Africa the basic problems of the extreme poverty, and of the dispersion of the population in almost unreachable areas, with negative influence either on the economic development possibilities, and on the democratic access to jobs and income, was faced by the LEDAs in Mozambique (3 Ledas), Angola (3 Ledas), and South Africa (3 Ledas) through specific tools and organisations. Often, in these case, the main problems resolved by the LEDAS were related to the creation of a market economy, including entrepreneurial culture, finance support system, conditions for marketing, basic productive infrastructure (product storage, transportation, communication, and to the possibility for extreme poor people to access to economy.

In Central America, where the first LEDAs were established by ILO, UNDP and UNOPS, 18 LEDAs are now operating. Their efforts have been mainly directed to inclusive actions for vulnerable people and to the support to local actors in the integrated exploitation of the local resources through the development of the SME sector. Key indicators of their success are the numbers of permanent and seasonal jobs created throughout the five countries where they operate (El Salvador, Honduras, Nicaragua, Costa Rica and Guatemala). Indeed, in a period of 5 years (1995-2000) of their operations, they managed to create approximately 20,000 jobs, handling about 8 million US$ in credit activities. These LEDAs managed to achieve self-sustainability though the joint provision of financial and non-financial services to SMEs. This was possible thank to a grant that the cooperation programme provided for credit operations. This was used for setting up guarantee or trust funds, which, deposited in a fix term bonds, generates an interest, which gives LEDAs the income for its budget. Therefore the LEDAs are able to provide free services to the population and be independent on public subsides. The management of the funds provides, after the start up period (about 2-3 years) about 60% of its sustainability, while the rest is usually provided by the management of contracts with international donors and through the provision of the non-financial services.

To give an example of the LEDAs operations and functions, three cases will be examined: the LEDA operating in the Department of Jinotega in Nicaragua, the one operating in the Department of Ocotepeque in Honduras and the most recent experience, the newly created LEDA, Alma Mons, in the city of Novi Sad, Serbia, which will cover the Vojvodina region.

The case of Jinotega, Nicaragua
The LEDA was established in march 1995 in the capital of the Department of Jinotega, after the successes obtained by the LEDAs operating in other parts of the region. A very effective participated approach has been followed in order to arrive to the creation of the LEDA itself. In fact a strong public-private partnership is in place ruling and guiding the activities of the LEDA in all its aspects. The public-private partnership is expressed through the ownership of the LEDA itself, being the following members of the “General Assembly”, the sovereign body of the LEDA:

<table>
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<tr>
<th>Public Sector</th>
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<tbody>
<tr>
<td>• The 7 Municipalities of the Department</td>
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<tr>
<td>• The Ministry of Agriculture, Forestry and Zootechnics</td>
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<tr>
<td>• The National Institute of Agrarian Technology</td>
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<tr>
<td>• The National Institute for the Development of Water Distribution</td>
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<tr>
<td>• The National Telecommunications Company</td>
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<td>• The National Electricity Company</td>
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<td>• The National Program for Rural Development</td>
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The services supplied by the LEDA range from financial to non-financial assistance to Small and Micro Enterprises, from training to technical assistance throughout the various steps of the business plans, from information to the realization of studies and projects on the territory, from road reparation to credit activities.

The activities of the agency have supported the birth and the strengthening of 850 SMMEs in agriculture and trade. The LEDA has created 28 cooperatives of coffee and vegetable production. 3000 jobs have been created by the LEDA from the beginning of its activities and 150 families have received support for the restoration of their homes.

The local people belonging to the vulnerable groups are the beneficiaries of the credit activities, and although the high rate of risk associated to this type of beneficiary, the credit return has reached very high levels arriving at approximately 95%. The management of the credit fund, besides providing new sources of self employment in the Department basing them on the existing local potentialities, has accounted for a 60% of the funds required for the financial sustainability of the LEDA, the other 40% coming from contracts stipulated locally and with other international organizations and donors such as the Inter-American Bank of Development. The management of the credit fund not only provides an important factor of sustainability, but also gives the possibility of providing the technical services at a very modest price (if not gratuitously), rendering them accessible to vulnerable people who generally cannot afford to pay for them.

The LEDA of Jinotega appears to reach all the aspects of sustainability. It is able to cover its own expenses through the management of the credit fund and through contracts. It is socially strongly accepted, and this is proved by the strong participation within its General Assembly.

The case of ADEVAS, Ocotepeque, Honduras

Created in March 1994, the Local Economic Development Agency ADEVAS, operates within the Department of Ocotepeque, situated is situated in the western region of the country and it borders El Salvador. The region has 88,000 inhabitants over a territory of 1680 sq. Km. Composed of 16 municipalities. The Agency is located in the capital, San Marcos de Ocotepeque.

As the LEDA operating in Jinotega, a strong participation among the local stakeholders is assured by the by-laws of the agency through the representation in the General Assembly, sovereign body of the LEDA.

The members of the LEDA are the following:

Public Sector
- The 16 Municipalities
- The Secretariat of Agriculture and Zootechnics
- The Honduran Institute of Coffee
- The Institute for Professional Training
- The National Agrarian Institute
- The Honduran Cooperation for Forest Development

Private Sector
- The Ecological Association of San Marcos
- The Honduran Association of Coffee Producers
- The Saving and Loans Cooperative “Rio Grande”
The services supplied by the LEDA range from training to technical assistance, planning and business administration, formulation and management of projects, information as well as credit activities.

The LEDA is endowed of a credit fund of approximately US$ 430,000, which are under a form of a guarantee fund. Credit recovery rate is around 90%.

From 1995 until 1999, 784 enterprises have been created thanks to the LEDA’s support. The main sector of enterprise creation is agriculture, where the number of start-ups has been 651, the rest are divided between trade, housing, livestock and services. Over 2,100 permanent jobs have been created while the number of seasonal jobs is around 53,000 man/months.

The success of the credit activities of ADEVA can be measured also on a qualitative level since from the start of its credit operations it has, with its modest fund, increased by a multiplier of 10 the total credit activities in the area, and attracted six more banks in the region and other donors (the European Union and the Japanese Cooperation) have committed other funds to the LEDA.

The Guarantee Fund of the LEDA is the main factor of financial sustainability of the LEDA itself.

**The case of Alma Mons, Novi Sad, Serbia**

Alma Mons, the local economic development agency operating in Novi Sad, was formally launched on 18 December 2001. The agency covers the territory of the Vojvodina Region, in the northern part of the Federal Republic of Yugoslavia. The Agency is promoted by the United Nations Office for Project Services (UNOPS), the German Agency for Technical Cooperation (GTZ) and by the Italian city of Modena.

The mission of Alma Mons is to "promote the Small and Medium Enterprise sector of the Vojvodina Region giving support to entrepreneurs, local authorities and other actors, create access to the formal economic circuits for the disadvantaged sectors of the local population, thus supporting sustainable economic development of the region".

The Agency has taken the form of a limited liability company where every member joins fund to the social capital. Although the quota to be subscribed is limited, the only fact that it exists, is a sign of the real commitment of the local stakeholders to the objective of the agency which is to establish a sustainable business in consulting services, training and information supply to SMEs and start-ups with particular reference to the vulnerable segments of the local population, develop the market for such services, thus improving the otherwise disadvantaged situations of SMEs.

The involvement of the local stakeholders through the set-up phase of the Agency has been extremely intense, demonstrating a high level of commitment to the overall idea of the agency as a body which would provide support in the LED initiatives of the area. At present 14 are the members of the Agency, ranging from the municipality of Novi Sad, which has provided a poignant leadership throughout all the construction phase, the regional government, the Universities of Novi Sad, various associations of entrepreneurs, the Chamber of Commerce and various NGOs.

An assessment of the services to be provided has been one of the first steps. Given that the specific objectives of the Agency are to:

- Strengthen the SME sector
- Create access to market for new start-ups
• Provide opportunities for vulnerable people
• Support the elaboration of development plans
• Support the building of good governance
• Enable local, national and international networking
• Protect the local environment

A set of specific services has been drawn up to assess the needs of the SMEs, the building of a sound socio-economic environment and the need of economic animation. At present it is impossible to provide a report on the ongoing activities, since the experience is in its starting phase and no real activity has had a chance to be implemented. The programs for the year 2002 include the mapping of the territory’s resources, the elaboration, jointly with the municipality and the regional government, of an integrated development plan as well as the elaboration of the first business plans and the organization of training activities.

The agency appears to be institutionally sustainable since the local stakeholders, as mentioned above, are strongly committed to the overall idea of the agency and many of them have committed own resources for its success. This is the case of, for example, the Regional Chamber of Commerce, which has agreed to provide funds for its promotional activities, and of the Universities which have committed to provide the necessary researching support within the elaboration if the integrated development plan.

Financial sustainability will be assured for the first 2 years through the contribution of GTZ, which will cover the fixed and variable costs for the first two years. UNOPS will endow the agency with a fund which will serve as a guarantee fund for helping disadvantaged people, with a viable and sound business plan, to access credit through a local credit institution. The management of the guarantee fund will provide for sustainability in the following years.

The links activated through the channels of decentralised cooperation has given the opportunity to Alma Mons to take advantage of the technical and financial resources rendered available by the Italian city of Modena, where the local economy is mainly based on an acknowledged system of SMEs. The financial and non-financial service provision sector in the area is well advanced and much of the technical know-how, especially regarding the management of the guarantee fund, will be transferred to the local staff of the Agency of Novi Sad.