



## PRACTICE NOTE

# LOCAL ECONOMIC DEVELOPMENT – A VITAL SUCCESS FACTOR

## LEARNING EVENT INSIGHTS

### DEEPENING REIPPPP'S COMMUNITY DEVELOPMENT IMPACT

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## What can, and must, be learned to improve community development in the REIPPPP, the largest renewable energy programme ever undertaken in South Africa?

This was the question that 150 diverse participants came together to explore at a dedicated Learning Event in early 2020. The event was funded by USAID, in partnership with the IPP Office, and supported by the industry associations SAWEA and SAPVIA, and was hosted at the IDC in Johannesburg. This practice note is one of six compiled by a group dedicated to recording the day's rich discussions, and captures insights related to the specific important theme of **local economic development**.

## THE CHALLENGE

Local Economic Development (LED) is a process in which government, business and civil society collaborate to grow the economy and create employment within a local district municipality. This is achieved by means of initiatives that unlock opportunities for individuals or groups to become financially self-sustaining, by accessing jobs, business opportunities and other income-generating activities. The Enterprise Development (EnD) component of REIPPPP goes hand-in-hand with the LED component and is positioned to support such initiatives.

REIPPPP projects are typically located in rural and peri-urban areas that tend to be remote and to have limited economic activity, small communities, low income levels and inadequate infrastructure. Lack of access to markets is one of the major challenges facing businesses in poor, rural communities. The LED and EnD initiatives that have been undertaken in the REIPPPP thus far have largely proven to be ineffective and/or superficial, as they are often poorly conceptualised and implemented. Their lack

of consideration for local needs and context has, in particular, diminished their chances of success. Coupled with this, experience has shown that limited or no coordination among stakeholders (both at industry level and at government level) has led to fragmented efforts that do not realise sustainable positive outcomes for communities. Unfortunately, this has taken place against a backdrop where expectations from communities, many of whom have seen no significant economic activity for a long time, are high. Disappointment and disillusionment have been the inevitable results in many cases.

There is, generally, a high rate of failure among new businesses in South Africa. This implies that there is an even higher chance of failure in local areas that are already in economic decline, such as those hosting REIPPPP projects. Independent power producers (IPPs) may therefore be at risk of repeating failures unless adequate consideration is given to key aspects necessary for successful LED.



A close-up photograph of a person's head and neck being shaved with a silver electric clipper. The person has dark skin and short hair. The background is blurred, showing what appears to be a barbershop or a similar setting.

# NEW INSIGHTS

## *Ideas we need to let go*

- **Saying yes to all requests.** When we arrive in communities, there are many expectations and, sometimes, unreasonable requests. Learning how to say no, and being transparent as to why, is a skill that is continually needed to manage expectations.

- **Creating artificial and temporary markets.** Support local access to sustainable market opportunities that give enterprises a better chance of success in the long run, rather than seeking short-term, quick wins with transient products and services. Similarly, avoid creating parallel economies: rather than starting from scratch, we need to work from what already exists, adopting an Asset-Based Community Development (ABCD) approach to LED.

- **This is business unusual.** Business fundamentals that we apply in our companies should not be neglected in designing, developing, and implementing LED projects. Every effort must be made to ensure that the fledgling enterprises are equipped to reach financial self-sustainability without relying on funding.

- **LED has no effect on 'real' people.** Realistic LED solutions have more chance of making a difference than idealistic, charity-driven initiatives. They support the economic growth of a community, which means that 'real' people have jobs, can put food on the table, and can educate their children.

## *Insights that **disrupt** and **liberate** our thinking*

- **When communities talk, listen.** This is a basic tenet of advancing any development or initiative that involves a community. Coming with our preconceived projects will not lead to successful engagement, as people in communities already know what they need: hear them out, first. This will be especially important in understanding that communities (especially indigenous ones) can have their own measures of wealth and success. Development must take local culture into account, as sustainable positive change will, in the end, only be achieved when it is supported and advocated for by the community itself.

- **Evaluate outcomes, do not just count them.** Accounting for outputs and/or providing evidence for compliance does not capture the full, longer-term picture of development. Impact evaluation is needed, which in turn requires deliberately planning and designing programmes for impact. This approach enables us to ask what has changed in real-life outcomes as a result of the new local businesses created.

- **Support capacity building.** We need to support capacity building at the community level as a means for skills transfer and eventually to achieve self-sustainability.





# RECOMMENDATIONS

## *Actions for **local or community** impact*

- **Bring everyone along on the journey.** As with all other development initiatives, LED must be approached with participatory engagement of all relevant stakeholders and local structures. Think, as well, of collaborating with stakeholders in ways which can be self-sustaining beyond the period of LED and EnD interventions.
- **Start engagement as early as possible and make it regular.** While there is some justifiable apprehension about creating expectation early on, we can benefit by having an honest and upfront engagement that sets the tone for keeping the community and stakeholders informed throughout. Doing so also ensures that any existing enterprises or LED projects are part of the process from the start.
- **Offer intensive support.** In areas where business skills and market access are very limited, as in most REIPPPP contexts, intensive business development and mentorship are needed. This involves assessing both potential and need, and linking local enterprises to markets beyond the locality. A lot of initial effort is called for to give enterprises the best chance of reaching financial self-sustainability.
- **Share risks (and rewards) with service providers.** Programmes are often implemented by means of external consultants or service providers who do not have any performance-linked incentives. They stand to benefit financially even if initiatives fail. It is therefore better to share both the risk and the reward with external service providers and consultants where possible, through performance-based incentives.

## *Actions for **national** impact*

- **Create the capacity to absorb capital.** In order to think beyond subsistence in LED, we should be creating capacity to absorb capital and capability in order to diversify in other capital growth opportunities. How are our LED projects enabling local markets, or linked into value chains to ensure LED enterprises are a part of a sustainable ecosystem?
- **Draw on lessons from other sectors.** Sharing knowledge among sectors (such as mining, where there is a long tradition of LED, EnD and community trusts) can help to develop better approaches in the REIPPPP, as well as to avoid pitfalls.
- **Always keep in mind how cultural practices impact interventions.** Whatever strategy has been developed or considered in the planning room, local cultural practices will always determine what eventually happens on the ground during implementation. Understanding the local culture means understanding what can work and what can shift.
- **Think about exit upfront.** This means thinking about the eventual self-sustainability of interventions from the beginning. We must design and implement programmes that can stand on their own feet and do not depend on us (IPPs) as funders, enablers or service providers.



## FURTHER READING

### **[South Africa – Working Paper]**

Sibisi, S. 2009. Brushing against the grains of history: Making local economic development work in South Africa. Development Planning Division Working Paper Series No. 5, DBSA: Midrand.

### **[International – White Paper]**

Geneva: ILO. 2010. Gender mainstreaming in local economic development strategies: a guide. International Labour Office, LED Programme, Bureau for Gender Equality.

### **[South Africa – Academic Paper]**

Mediterranean Journal of Social Sciences MCSER Publishing, Rome-Italy, Vol 5 No 16. 2014. Local Economic Development (LED), Challenges and Solutions: The Case of the Northern Free State Region, South Africa.

### **[South Africa – Policy Document]**

National Framework for Local Economic Development (LED in South Africa [2006 – 2011]).

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