



**International Link and Services for  
Local Economic Development Agencies**

*for a fair, human, sustainable and inclusive development*



# **Local Economic Development Agencies for governance and internationalization of local economies and human development**

**2009**

**ILS LEDA Basic**

## PRESENTATION

The Local Economic Development Agencies (LEDAs) are legal, no profit structures, owned by the public and private entities of the territory. Through the LEDA the local actors plan and activate, in a shared way, initiatives for territorial economic development, identify the most convenient instruments for their realization and enhance a coherent system for their technical and financial support.

The LEDAs provide several services to population and institutions, such as territorial promotion, economic dinamization, credit, technical assistance to businesses, entrepreneurial training, with the objectives of supporting productive competitive development and economic innovation, within the perspective of an equitable, ecologic, and human development.

A LEDA represents:

- A intermediate autonomous entity facilitating the links between institutions, producers, and the external environment
- A technical instrument for rendering more effective the dialogue between the local actors, through offering a concertation space aimed at establishing the common objectives and the technical and financial means for achieving them
- An instrument to facilitate processes of decentralization for economic promotion
- A forum to stimulate debate and interventions facing the problems of equity and social inclusion of vulnerable groups, particularly women and their participation and leadership in development processes
- A structure facilitates to pursue, to orientate, and to manage the resources for local economic development
- A structure providing comprehensive services to entrepreneurs, population (mainly the most disadvantaged people), and public administrations
- An important reference for international partners willing to realise projects for the development of the area and partnerships.

60 LEDAs with such characteristics are currently operating in many Latin American, African, East European countries, and they are gathered into the ILS LEDA network. These LEDAs are based on the experiences of the numerous similar structures operating in Europe since the '60s, nevertheless they have been introducing significant innovations about the method of service supply, the sustainability mechanisms and the integrated management of the economic promotion and the fight against poverty.

These LEDAs, in fact, integrate *governance components* (public-private partnership, local-national relation); *strategic components* (coordination between planning and action); *human development components* (social inclusion, instruments of support to the vulnerable groups, relation between center and suburbs of the territory, environmental protection); components of the *territorial promotion* (project financing and international marketing); components of *service supply to the enterprises* (technical assistance, professional training, marketing and loans).

The international organizations that structurally supported the establishment and efficacy of the LEDAs are: ILO, UNDP, UNIFEM, UNOPS, and European Union. Numerous donors supported the LEDAs in different countries, committing them the execution of economic development projects. The World Bank defines Agencies as the best practices for local development promotion. OECD recommends the Local Economic Development Agencies as the leader structures of the territory. The LEDA experience is part of the university curriculum in various academies, through masters or specialised courses.

## WHICH PROBLEMS LEDA SOLVE?

A LEDA contributes solving complex problems, such as the negative impact on the living conditions caused by poverty, unemployment, economic transitions, and the disadvantages of the local economies in the current global arena. The key issues of their success rely on:

- the inclusion of the comprehensive response to the main need of the population for human and sustainable development in a unique governance
- the strong local ownership, that enables the local public and private actors to dispose finally of a place where to decide about their future
- the technical capacity of promoting and realizing complex projects, initiatives and partnerships

According to the specific problems of each different territory and the conditions of the country, the LEDA elaborates the different strategies that better fit the aim of promoting local economic development.

### Fight against poverty and social exclusion

The current programs for fighting against poverty are focused on the implementation of instrument able to quickly solving the lack of economic income of the most disadvantaged people. The most common and spread instrument is the micro-credit. It generally benefits very poor people, rarely, however, has a consistent impact on their capacities of improving their conditions. The activities generated by 1000-2000 USD investment cannot produce any surplus for accumulation and growth. Furthermore micro-enterprises, although in associative form, are nor able to generate sustainable and competitive development of the territory.

The LEDA represents a different answer to these problems, because it provides the emarginated groups with the opportunity to participate actively in the process of territorial development and to take advantage from it. In fact a LEDA:

- support local government for designing territorial integrated development strategies and adopts mechanisms in planning elaboration, involving population in their actions, through information and training activities;
- connects entrepreneurial activities of vulnerable groups into the territorial value chains, improving economic network relationships within the productive system, and this increases the possibility of future sustainability;
- provides technical and financial assistance for the elaboration and the support of the business plans; thanks to the Guarantee fund (see later).

#### Women Empowerment

The LEDA's of the Departments of Huehuetenango and Chiquimula (Guatemala), Sonsonate (El Salvador), Valle (Honduras) and León (Nicaragua), established in 2006 own Service Centers for Women Entreprises (SCWE). This service is aimed at enhancing the feminine entrepreneurship in each territory, through providing information, orientation, and technical support for the business creation. It organises events about women entrepreneurship and leadership at departmental level, in collaboration with the local and national institutions, and with the women associations' network.

This service represents an important instrument in the hand of the Municipal and Departmental Development Councils in order to promote equity in the opportunities. The SCWE realised an analysis of the endogenous potential of each territory, in collaboration with the universities, and came up with the map of the women economic activities, analysed through the chain of value approach. The Chiquimula LEDA SCWE established a strategic alliance with the university and the Vice/Ministry of the micro, small and medium enterprises, for realising training activities on the issues of local economic development, marketing, and gender. The LEDA SWE provide technical and financial assistance to women and female student for promoting new feminine businesses included in the territorial competitive chains of value, and a new equitable entrepreneurial culture.

### Small enterprise development

The small entrepreneurs, without an easy access to the services and to the instruments for their enterprises growth, are forced to work in an "informal" area, which often pushes them to give up. In many contexts and

especially in the most disadvantaged ones, small entrepreneurs don't have the comprehensive support they need in all the phases of the investment cycle. Small enterprises have difficulty of maintaining their own competitiveness. They can achieve it, only if linked with other ones working in the same chain and if there is an organized territorial environment, that enables the infrastructure development, the innovation, the labor market, the services, and the finance.

The LEDA gives an answer to these problems of small entrepreneurs, providing the following services:

- training for professional and management staff ;
- access to credit and technical assistance;
- Information about suppliers of raw materials and other products, markets and technologies,
- Information about legal, financial and fiscal aspects,
- facilitation in using the productive infrastructure and its promotion,
- promotion of productive networks and correspondent productive associations,
- promotion of the instruments that facilitate innovation,
- support to the internationalization of the local economy,
- networking and sharing of information on economic opportunities.

#### **The development supported by the LEDA of Ixcán**

The Leda of Ixcán (Guatemala), established in 1993, played an important role for the promotion and the growth of micro and small entrepreneurs, with a particular attention to women. The LEDA adopt an integrated approach, because of the main need was identified in the creation of a enabling environment where the economic local investment could be realised and growth in a sustainable way.

Technical and financial support to the businesses, social development, and institutional framework were, therefore, the main working areas of the LEDA for achieving the above-mentioned result.

The LEDA carries out these actions through specific capacity building and through a radio (Radio Ixcán), the LEDA itself established and manages. It facilitates the communication with the more marginal communities and render them aware of the opportunities and ready to exploit them.

The LEDA manage a own credit fund, and realised agreements with the projects SIM, Fonapaz, and Fis, and implemented a specific projects for facilitating the credit to the women. As result of all these actions a credit of 1,700,000 USD was disbursed, with a return rate of 95%, benefiting almost 2100 persons in the last five years.

Technical assistance and project financing are the LEDA's commitments in this area for the development of the social infrastructure, such as water, environment protection, housing, natural parks

Nevertheless an important support to the SMME development is provided thanks to the relationships the LEDA maintains with the local administration, and the development council, which allows to multiply the financial opportunities for SMME's, and the channelling of projects to sustain them. An agreement with the university of San Carlos and with the National Secretary for Planning (SEGEPLAN) allowed the establishment of a business development centre, aimed at enhancing the technological innovation.

As result of all these combined and integrated actions, more than 9000 jobs were created in the last five years, of which 3100 for women, and more than 400 SMME's created or supported.

## **Valorisation of the local resources**

Each territory has its own resources, if opportunely valorised, can make it competitive and resolve problems of job, income, and equity. The valorisation of the territorial resources has to do with the capacity of creating added value: industrial products from rough material, tourism and industry from natural resources, economic activities from local culture and environment, etc. Emarginated and scarcely infrastructured areas may better create added value, if comprehensive chains of value including small and medium enterprises, cooperatives, financial and non financial services, universities and research centres, education and training structures, will be established.

A LEDA is the ideal structure for valorising the economic resources and facilitating the creation of added value because it can:

- easily gather the actors to be involved in the chains of value and organise them in network
- provide all the information and the support for the chains of value network operations
- enhance territorial brands
- facilitate the marketing of the territorial products, linked to the chains
- support and promote information and knowledge sharing

### **The valorisation of the local chains of value by the LEDA of Nariño in Colombia**

The LEDA of the Province of Nariño in Colombia (1,700,000 inhabitants) established in 2002, gave a great importance to the promotion of chains of territorial value for leading the sustainable development strategy. Five chains were prioritised: tourism, milk production, potatoes, coffee, and “panela”

The LEDA’s strategy for promoting and supporting these chains was focuses on: the territorial marketing; the promotion of associations; the financial and non financial support.

The territorial marketing was carried out through the promotion of territorial brands, as for the “Nariño Cheese”; the support to the international trade, such as facilitating missions in foreign countries, and the organisation of the fairs “EXPOANDINA”, “EXPOLAGOS” and the handicraft fair of Bogotá, the support to the business marketing, the organisation of two Business Forums for tourism operators in Pasto and Ibarra.

A Conkurs “Looking for the Nariño Tourism Brand” and a another photographic one “Promote your territory” were launched. A project for a “Intelligence Centre for Markets” was shared with the local actors for realising studies on international market’s trends, reinforcing the entrepreneurs commercial capacities, Projects for improving the cow race (milk products), the commercialisation and industrialisation of the typical endogenous potatoes “Pastusa” and “Chaucha” was enhanced.

The promotion of associations has been carried out promoting consortium in each chain. An agreement were realised with the national Fund for micro, small and medium enterprises (FOMIPYME) for the technical support to the chains of value.

Projects such as “Touristic market”, “strengthening of the handicraft micro enterprises”, the “Laboratory for Handicraft Design and Project”, were designed with the support of PNUD, and the European Union.

Finally a strong effort was provided for valorising the Carnival of Pasto, reinforcing the Carnival Corporation, and establishing international twinning with other similar events, such as the Carnival of Viareggio in Italy.

### **Revitalization of local economy and reconstruction after conflicts**

Long periods of armed conflicts produce destruction of natural and productive resources; de-institutionalization of social context, and more distance between population and institutions; reduction of professional capacity due to the lack of continuous upgrading of the professional skills; pollution of earth and water caused by mines and war.

A LEDA gives an answer to these problems, because it:

- coordinates activities of various institutions of the territory (local and municipal administrations, banks, Universities) in order to identify and carry out the business projects aimed at revitalizing the economy production and at the reconstruction, through the direct involvement of all the social groups without discrimination ;
- carries out concrete actions improving the living conditions of the population; producing visible short-term results;
- enables the transition processes towards market economy, through supporting sustainable entrepreneurial initiatives coherent with locally elaborated development plans, in order to create a new class of local small and medium enterprises.

### **The Mozambican LEDAs for fighting against poverty in post war situation**

The LEDAs of the Manica, Sofala, and Maputo Provinces had to face primarily the heavy problem of the extreme poverty and marginality in their territory, the absence of an organised civil society. with the exception of small groups of women widows or alone because of the war, the absence of basic infrastructure destroyed or abandoned after the long conflict.

The first LEDAs commitments were to rehabilitate the local commercial infrastructure, including shops, small markets, grinding mills, etc., to promote associations, to valorise the agricultural production and market the agricultural products (sunflowers ,fruit and vegetables, milk products, fish, the, coffee, honey, chicken, salt, tomato, grapefruits, garlic, goats, wood), implement new financial mechanisms; training courses, and the territorial marketing

Specific support was then given for improving the organisation of women (the women circles), the fruit farmers and artisans, also articulating the relationship between micro, small and medium company.

The credit mechanism was established and comprehensive support was given for creating new businesses.

In the first 5 years 359 micro and small enterprises were created, mainly formed by former very poor people, 2500 jobs were created, and 600,000 USD of credit disbursed. In the Province of Manica a specific program ASCA (Accumulation of saving capital and credit) was lately carried out, that delivered in 2005 95.000 USD of credit to 1.839 very poor people, organised in 91 groups. From 2003 up to 2005, 26 credit were disbursed for an amount of 160.000 USD for very poor people in the province of Sofala.

Strategic projects were then realised, through the participation of the local actors, the most important being: in Manica a transportation company, the territorial marketing and the rehabilitation of the exposition fair, including a business forum; in Sofala the furniture market, the handicraft centre, the transportation company, the alternative energy project, the promotion of "fair trade"; the apiculture sustainable development plan, and a public library; in Matola the tourism development plan,

The publication of provincial reviews "Ten reasons for living and invest in our province" was carried out by all the Agencies for the territorial marketing.

## **Impact on national policies and orientation of national and international resources**

One of the most common obstacles for the organizations willing to realize cooperation projects and to support economic development of the territory, is the fragmentation of the local actors and the absence of the point of reference.

From this point of view, the LEDA is an incomparable interlocutor for the economic actors of the international cooperation and allows the realization of numerous productive initiatives, because:-

- orientates the initiatives according to the territorial strategic development framework, needs and opportunities
- avoids duplication of efforts and waste of resources
- assures support to the elaboration of the project,
- provide qualified technical support for the execution, also assuring the involvement of the actors and the specialized local structures and institutions
- provide financial support trough the own credit funds
- is able to monitor the project development

### **Impact on national policies**

In Mozambique, since 2002, is placing a significant process of LEDAs institutionalization,. The Ministry of State Administration constituted a Led Unit, and leader a national commission, constituted by several ministries, working on a LED National Platform (LNP) in the framework of the national policy for the Local Economic Development and Poverty Reduction. The Led Unit supports the LEDAs working in the Provinces of Maputo, Nampula, Manica, Sofala and Zambesia and promotes the constitution of new ones in the other Provinces of the country. In the Provinces, the Presidents and Executive Directors of LEDAs participate in the respective Provincial Councils, advising on LED. The LEDAs constituted a National Network in 2003, to support their work, opening in more territories, to dialogue with central institutions in order to orient their resources towards the territories and the LEDA. The LEDAs Network collaborate with the National Commission in the elaboration of the national platform. In 2005, the LED NP was included in the National Policy for Rural Development, under the coordination of the Ministry of Planning and Development. Since that moment, LED passed to be part of the national strategy of development, considering LEDAs as instrument at local level supporting the decentralization process in economic issues. LEDAs are now object also of national budget distribution. The LEDAs Network is the counterpart of the central government in analysis and negotiations related with LED. LED as policy for development is considered a cross-cutting issue, addressing suggestions and recommendation for several more national policies and strategies, creating the enabling environment for territorial economic sustainable and balanced growth.

## LOCAL ECONOMIC DEVELOPMENT AGENCY, IN PRACTICE

Each LEDA develops its own model in terms of partnerships, organization, services, according to the specific needs and demands, and to the historical evolution. The common characteristics regarding ownership, organization, service delivery, operational models, and sustainability factors of the LEDA are the following.

### The owners of the LEDA

All interested local actors with an active role in local development participate as members and owners of the LEDA: local administrations, decentralized institutions of ministries, productive associations, universities, banks and financial institutions, education and research centers, NGOs, private sector.

#### The 17 members of the Manica LEDA in Mozambique

- **Municipal Council of Chimoio.** It represents 152.000 inhabitants of the Province capital .
- **Municipal Council of Catandica.** It represents 12.000 inhabitants of the city of Catandica
- **Consiglio Municipale di Manica.** It represents 42.000 inhabitants of the city of Manica
- **Station Eva.** Agro-business private enterprise with 42 workers
- **Mozambican Women Association, OMM.** It represents 26000 women of the Province, organised through "Circles of interest".
- **Farmers Association of Manica ASAM,** with 60 members.
- **Farmers Union of Manica UCAMA.** Provincial trade union with 1500 member, of which 40% women, associated to the National Union
- **Coordination Forum of the Associations of Manica FOCAMA.** It gathers 42 local associations of different sectors (women, environment, workers).
- **Farmers Association of the Manica District,** constitutes by 100 members.
- **Development Fund of the Small enterprise FFPI.** Financial institution for financing the small businesses in the rural areas.
- **Metallurgia of Chimoio.** Private metal company, producing goods and equipments for agro-businesses .
- **Sport Club.** Association of 60 young people of Chimoio, promoting sport activities in the rural schools.
- **Program for cultural activities PAC.** Private Association, promoting local culture.
- **Activa.** Association of 160 women entrepreneurs.
- **La Musica.** Association for the promotion of the women head of family in the rural areas
- **Institute of Mozambican Cereals ICM.** Company for the commercialisation of the cereals .
- **Revue-Sagrev,** private company for the transformation of seeds and the production of food oils.

### Territorial Coverage

An Agency normally serves an over-municipal territory equivalent to an intermediate level of decentralization of the state. In fact, its territorial coverage has to answer to three main requirements:

- Possibility to promote stable public-private relations, supported by a geographical coverage equivalent to a decentralized administrative division of the state.
- Possibility to use a critical mass of resources adequate for a sustainable and competitive development;
- Possibility to improve participation of the population in decision-making;

The majority of the LEDA associated to ART/ILS LEDA covers a territory correspondent to a Region or Province (Department, provinces, districts, according to the country). At this level, in fact, in all the countries decentralised departments of the national government with an important role in the economic development have a delegation or an office (agriculture, labour, public works, finance, etc.). In the regions, where a very large extension or scarce communication infrastructure impede an effective coverage of the more remote areas, the LEDA establishes decentralised desks, for allowing the participation of the population and the direct support.

### Implementation of planning instruments

Teuleda, the Agency of the Region of Skodra (Albania), played a basic role in the strategic development plan of the Municipality of Skodra. The municipality of Skodra (112.000 inhabitant), in fact, has been assuming a leading role in the region for the implementation of a development strategic plan, for enhancing the economic transformation to the market economy (some nine-tenths of the former state-owned enterprises in the city were privatized).

Teuleda was committed to coordinate the LED commission, headed by the Mayor, which involved 110 representatives of local governments, business community, banks, educational institutions, public enterprises, NGOs, the university and local experts. The plan envisaged to:

- valorise the local economic resources, such as mainly food processing, wood processing, the artisan products industry, and the tourism (religious, cultural, familiar);
- develop an efficient system of communication between the Municipality and its partners;
- coordinate the activities of different organisations and agencies operating in the region.

Teuleda was called to play a basic role, as provider of information, advice, links with the other municipalities of the region, for replying it, and providing a regional framework.

The specific role of Teuleda in supporting the plan was identified, in the following main fields:

- Promotion and support of SME: *Information, Technical assistance, Training, Loans, marketing*
- Local institutions support: *Data archive, Information, Coordination among local institutions., Technical assistance*
- Territorial marketing: *Data collections, Publishing promotional documents, Organization of promotional events*

### Sustainability of the LEDA and the Fund for credit

All the LEDAs of the ILS LEDA network are sustainable. This sustainability is assured by several types of income, such as:

- membership fees
- sale of services to public and private entities of the territory;
- management fees related to the execution of the contracts with partners or donors,
- payments from services of intermediation;
- interest rates from the Guarantee Fund.

The experience shows that in the initial five or six years of a LEDA, the income from the interests related to the credit fund represent 50-70% of the total revenue, the over-head on the projects 20-40%, and the rest comes from services and fees. After this period and according to the LEDA learning curve, the income from the credit activity decrease progressively up to a 30-40%, whether sale of services and income from projects increase.

The availability of a fund for facilitating the access to the credit for small entrepreneurs, farmers, cooperatives, and, generally, all the people without possibility of access to the normal financial channels for creating new businesses or strengthening the existing ones, is very important for the LEDAs. Several constrains, in fact, exist for these categories of people: lack of collaterals, lack of banking record, difficulty of access to the information about the credit programmes and opportunities, complicated bureaucratic procedures, lack of confidence of the banks in the client loan's restitution.

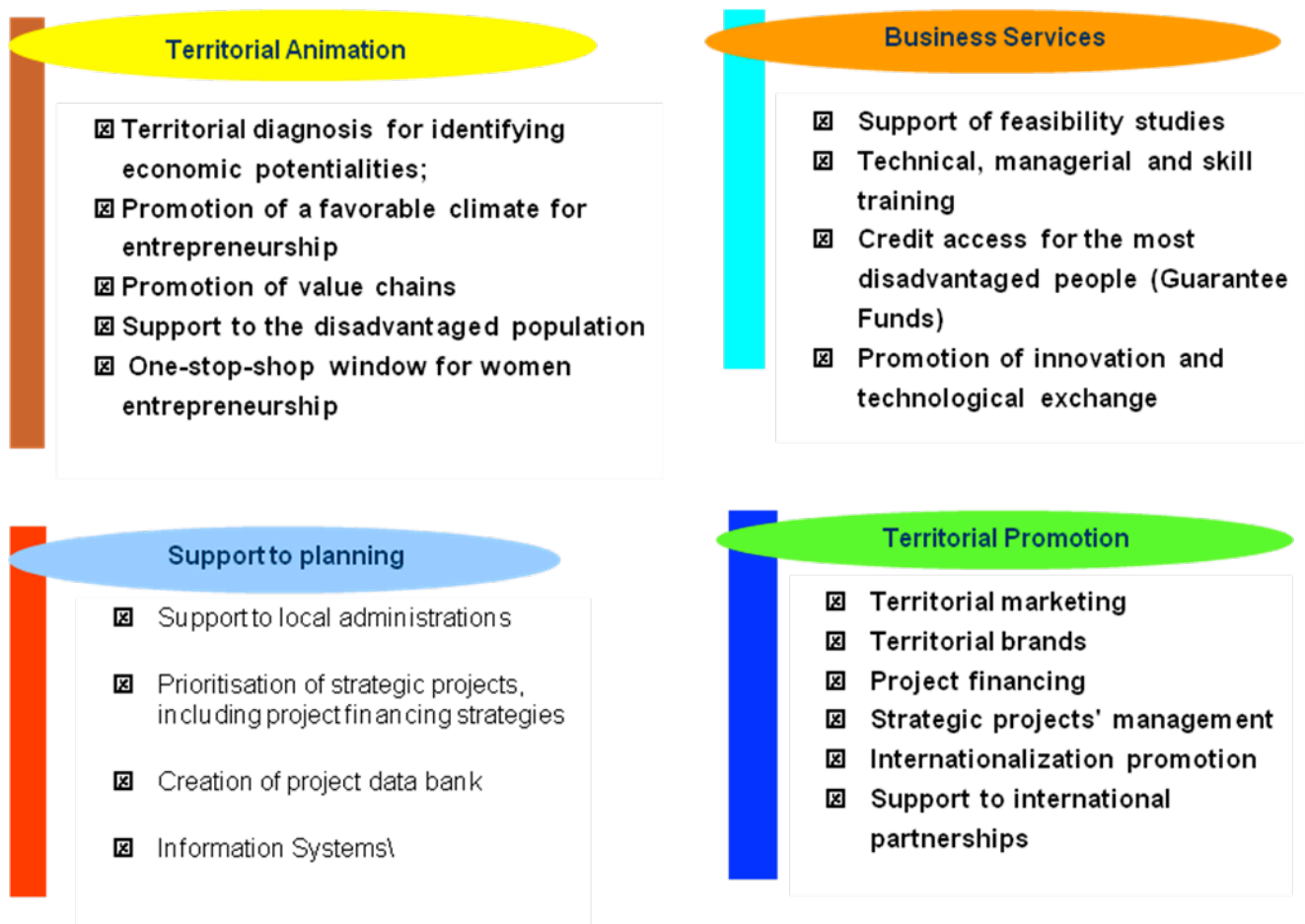
It is, therefore, important the LEDAs have at disposal the capital for constituting the fund for the credit, and sustaining the entrepreneurial activities. Generally, this capital is granted by international or national institutions and programmes. A "Guarantee fund", created through an agreement with a local bank, covers the bank on the risk of not receiving back the loan, and facilitates the most disadvantaged people to take use of it. According to these agreements, the LEDAs accomplish various tasks for minimising the risks. They spread the information about the possibility of receiving loans at special conditions; select the business ideas, among them more reliable and coherent to the territorial development strategies, and to the objectives of a sustainable and equitable development; sustain the applicants in the preparation of the business plans, and of the bank bureaucratic procedures; provide follow up to the loan request; provide technical assistance also after the client has received the loan; contribute to its recovery, thanks to the large social involvement of the population in the agency.

The experience, in fact, showed the most effective incentive to the loan restitution is the “local” nature of the credit capital. The beneficiaries realise the possibility of receiving more loans for themselves, their families, and the community is reduced, if the capital gets lost. The 50 LEDAs members of the ILS LEDA network registered a credit return rate above 90% in 15 years.

The Credit Fund provides an additional advantage to the LEDA economic sustainability. The agreement with the bank, in fact, foresees the LEDA utilises the interest gained by this fund and those linked to the credit for its own budget. Many LEDAs link this fund to the financial support, through micro-credit, to very disadvantaged groups, with difficulty of managing entrepreneurial business. The micro-credit promoted by the LEDAs represents an important help for accompanying this groups to enter into the formal banking record. In this case the LEDA favours also the sustainability of the micro-businesses, involving them in the strategic chains of value, and favouring links with the local economy.

## Services provided by the LEDA

Each LEDA organizes the services that are needed by the population and institutions of the territory. The most common services the LEDAs offers are the following:

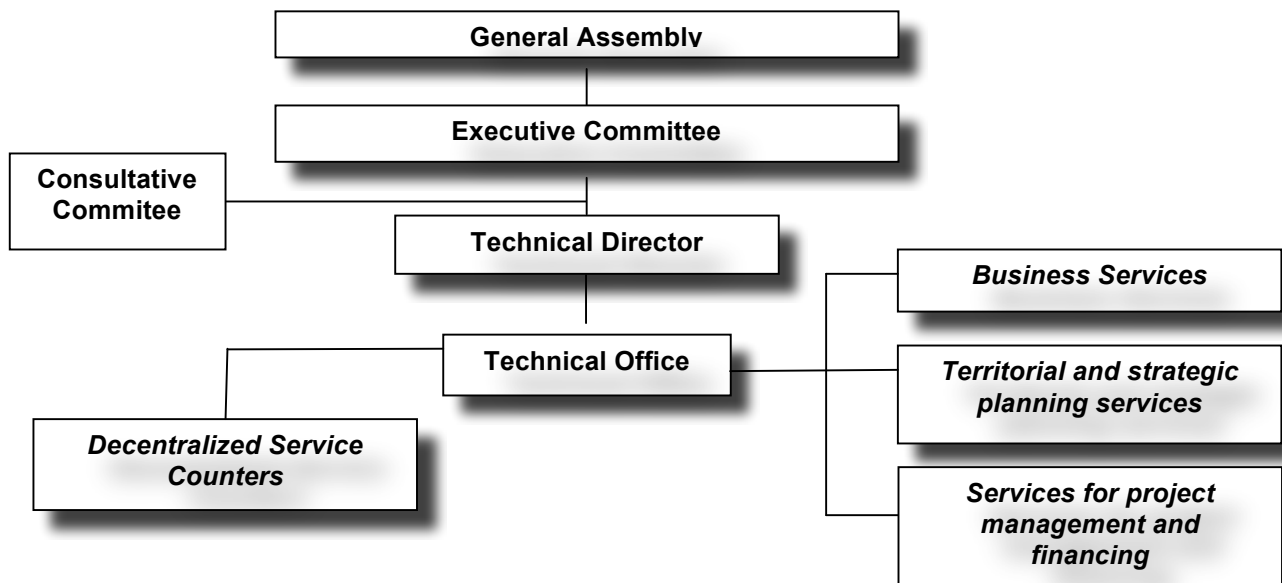


### Impact on local economy by the different services of a LEDA

The LEDA of the Department of Morazan in El Salvador, established in 1994, has a relevant impact on the territorial development, either by the occupational, or social, technological, and economic point of view. In the last five years, more than 2000 new jobs were created, almost 1000 were saved, half of which are feminine. The LEDA created, in the same period, about 90 small enterprises (employing less than 5 persons), provided assistance for allowing survival and growth to 2000 small businesses, and disbursed credit for 3.640.000 USD, which benefited 32,000 disadvantaged people. Three clusters of enterprises in the agro-industry has been promoted and developed, one with 105 small enterprises, another one with 31, and the last one with 62. These clusters contribute to the long term sustainability of the associated enterprises.

The Morazan LEDA reserves part of its own income to social initiatives: in the last five years 73 grants were given to students for enhancing their university studies; 6400 disadvantaged people (2400 women) were empowered through capacity building; projects for disaster prevention were realized benefiting 4000 people; the cooperatives created benefit 9200 producers; 13500 producers participate in the Farmers Forum; 2400 persons participate in the project for institutional empowerment of municipalities. The LEDA has implemented new advanced services for the community, such as the Geographic Information System (GIS), used by the local and national administration for their planning exercise, and established its own financial institution for better managing the credit operations for disadvantaged people.

### LEDA Structure – Organization Chart



### RESULTS

Each of the fifty LEDA associated to the ILS LEDA network achieved important results, as far as the impact on territorial development and the improvement of the population conditions of living.

Some of exemplary results achieved by various LEDAs in different strategic fields were introduced in the previous chapters.

A significant very impacting has been the sustainability achieved by all the LEDAS associated to the international network, and their capacity of channelling local, national, and international resources.

THE LEDA MAP

THE ILSLEDA NETWORK  
OF THE LEDAs

