Mesopartner working paper

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Revisiting the Hexagon of LED as a framework to strengthen LED initiatives

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Mesopartner is a knowledge firm that specialises in economic development, competitiveness and innovation. Our strategic intent is to be globally acknowledged as an innovator in economic development practice. Combining theory, practice and reflection, we enable clients to explore options and support decision-making processes. We collaborate with strategic partners to create knowledge on contextually sound economic development.

We operate as adviser and service provider to development organisations (development agencies, ODA (Official Development Assistance) donors, development banks, NGOs, cluster networks and others), to decision makers in private and public sector and to consultants and consulting firms. Since 2003, the knowledge that we have shared, and the tools that we have developed, have helped development organisations and stakeholders in many developing and transformation countries to conduct territorial and sectoral development in a more effective and efficient way.

Mesopartner offers the knowledge that local actors need to address the challenge of innovation and change in a systemic and complexity-sensitive way. We develop innovative tools based on local and regional economic development, cluster and value chain promotion, market systems development, strengthening of local innovation systems and related topics. We coach and equip practitioners, and conduct leading edge learning events for practitioners.

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Background

This document is targeted to trainers and facilitators that use the Hexagon of Local Economic Development (LED) to introduce LED concepts during training events. It is a reflection on the way that we use the Hexagon as a thinking framework that allows participants to broaden their view on LED, and to equip them to connect their current knowledge with slightly different perspectives.

The Hexagon of Local Economic Development was developed in the context of German Development Cooperation as a way to structure many elements of interventions aimed at improving a local economy. During 2003-2005 it was used as the backbone of the popular GTZ WIRAM website, which is no longer available. Meyer-Stamer in 2004 (2004a) published a working paper on the Hexagon, and the hexagon has then featured as part of the InWEnt Locati Programme and several other training programmes. There were some modifications in these respective programmes, but the main logic of the Hexagon remained intact. For instance, a specific version of the Hexagon was developed for the South African context, and the international NGO World Vision is also adapting the framework for their internal use.

Within Mesopartner, the Hexagon is frequently used as a framework to introduce participants to LED in the context of a training workshop (typically as a 2 day, 3 day or 4 day training event). It was also used during the 2005-2006 period within the GTZ LED project in South Africa to introduce 'advanced' or 'innovative' elements to the work of senior government and business representatives in a 2.5 day format. The latter exercises highlighted the importance of revisiting some of the triangles that make up the Hexagon. The events were titled "Stimulating competitive local economies" and instead of pretending to provide a comprehensive solution for LED, it focused on the ways in which local economies could be made competitive both in its ability to retain businesses and sufficient labour resources, but also how localities compete for state and other resources. Depending on the strength and profile of the training participants, it was sometimes necessary to address four additional topics not covered by the Hexagon, namely:

- Markets, hierarchies and networks,

- Systemic competitiveness
- Distinction between natural advantage, generic advantage and unique advantages, and
- Four kinds of regions.

As time went by it was important within training programmes to discuss additional topics, for instance, how exactly does a society grow in wealth and prosperity? This question is important, as there was a tendency by public officials to confuse means (economic growth, participatory approaches or small enterprise development) with ends (standard of living, poverty alleviation, equality). This was often caused by the fact that people did not understand how economies evolve over time. Furthermore, there were ideological concerns raised by many people about the importance of productivity improvement, competition, specialisation or the role of enterprises (existing, external and emerging) as the levers or main vehicles to achieve economic growth. Within the South African context there were additional issues, such as the phenomenon that in many rural areas the public sector was the main employer, and the confusion of Black Economic Empowerment programmes with the overall goal of small enterprise promotion (Meyer-Stamer, 2004b).

Over time it became necessary to change the way the Hexagon was presented in order to keep up with[1]:

- the changing context within which development was taking place. In many developing countries the emphasis was shifting from the public sector as the champion of economic development, towards finding ways to involve the private sector and civil society in development.

- the increased capacity of public officials (and private sector organisations) to deal with sensitive or advanced issues. This includes topics such as market failure, but also the fact that locations were not only competing for foreign or private sector investment, but that even the public sector was in a way competing for scarce resources caused by huge developmental responsibilities of the state.

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[1] Alternatively, we considered to add more perspectives to the Hexagon, thus more triangles. This would result in a different geometrical figure, such as a Heptagon or an Octagon. However, as the Hexagon is widely introduced and used as term and concept, we abstained from this idea – for the time being.

- As more and more locations were getting the basics in place there was a search for some specific topical inputs. For instance, small enterprise promotion, pro-poor LED, gender issues or the recent increase in interest in the "green economy" could easily be integrated into the programme.

- The facilitators also became more experienced in how to present the Hexagon in a more positive way that allowed participants to explore topics that they have heard of but never really engaged with before. Thus, the Hexagon was used increasingly as a thinking framework to allow for reflection and adaption, rather than presenting the Hexagon as a theoretical framework. For instance, by including the 4 kinds of regions framework (Meyer-Stamer, 2007), the Hexagons for different kinds of regions can be developed with remarkable differences in the priorities and strategic mix.

In conclusion, the Hexagon provides a framework that allows for a rich discussion about how a location and its inhabitants choose to respond to developmental challenges. It is not complete, and neither does it provide for a theory. It rather seeks to find a way of connecting several theoretical fields of study in a way that makes sense to local non-academic staff.

Overview of the Hexagon as it is practiced now

This document assumes that the reader is familiar with the Hexagon (see source list at the end of the document). It will provide a brief summary of the Hexagon, but will focus on the main points that must be considered when discussing the triangles.

As the name suggest, the Hexagon is made up of 6 perspectives. These 6 components each exist of a triangle consisting of 3 choices or elements to a given topic. Although these headings are not exclusive, they provide sufficient scope for a rich discussion to take place. The idea is not to create equal 'balance' between the different elements that make up the triangles (or the Hexagon), but to allow each location to 'decide' or become aware of their current LED configuration so that they can actively shape these factors in the future. When one of the elements in a triangle is ignored, it typically leads to negative unintended consequences.

The triangles that make up the Hexagon are called:

1) Triangle 1 - The Target Group of LED: enterprises (firms or farms)

   a) Existing formal enterprises in the locality

   b) Potential start-ups or new enterprises

   c) Attracting foreign or external firms or resources to a locality.

2) Triangle 2 - Strengthening Locational Factors

   a) Quantifiable (tangible) elements that are visible

   b) Subjective or qualitative elements important for enterprises

   c) Subjective or qualitative elements important for different kinds of individuals

3) Triangle 3 - Policy Focus and Synergies (later renamed "different priorities and synergies in LED"

   a) Planning and infrastructure centered disciplines (or perspectives) such as engineering, public management, financial management, urban planning and geography

   b) Social science disciplines such as social development, welfare, health, education and poverty alleviation

   c) Business and agricultural management disciplines such as business management, economics, marketing, farming (agricultural sciences), supply chain development, market development and export promotion

4) Triangle 4 - Sustainable Development

   a) Economic sustainability

   b) Social sustainability

   c) Environmental (ecological) sustainability

5) Triangle 5 - Governance of LED

   a) Community and representative civil structures

   b) Local government and other public institutions

   c) Businesses and producers and their representative organisations

6) Triangle 6 - Process Management

   a) Search and exploration process (participatory diagnosis)

   b) Planning and resource management

   c) Monitoring of progress, evaluation of results and learning

Triangle 1 and 2 were seen as the hardcore of LED, while triangles 3 and 4 were seen as creating synergies and innovations in local economic profiles. The last two triangles were seen as the effective management or coordination of LED.

Triangle 1: The main targets for local wealth and job creation are mainly existing businesses (firms and farms), potential or newly formed enterprises and enterprises external to the

environment. Local existing enterprises include all forms of existing firms, regardless of their legal status (cooperation, corporation, firm or farm). External firms are outside of the location, and potentially bring new knowledge, resources, experience, technology and also funds to the resource. Typically, people only think of the funds of external investors.

Some people may argue that local government and other actors (such as donors, NGOs) also create jobs. This is true, but this is typically not a direct result of local economic development. However, all people employed locally or that potentially can spend their salaries locally (regardless of the nature of the employment) make important local investors and consumers. Self-dependency of marginalised groups is an extremely important social intervention, but this should not be confused with the objectives of local economic development. However, some social development programmes aimed at strengthening self-reliance of the vulnerable often ignore important concepts of LED, and thus make the vulnerable even more exposed to risks.

An important clarification that must be addressed during this session is that start-ups are mainly small firms. Many successful firms start as medium or even large sized firms when they are formed by existing enterprises, or by people with lots of technical and managerial experience. However, in practice, many of the small firms that we see in LED are smaller firms that often lack technical and managerial experience.

Triangle 2: The distinction between basic and advanced factors often confuse participants, because education, water, electricity and health services are considered by many as basic human rights. Therefore, the distinction should rather be between tangible (quantifiable) and intangible or subjective (qualitative) elements. With the difficulties of many rural locations to attract or retain qualified personnel, the interpretation should also be broadened to not only look at the perspective of businesspeople, but to also look at some other important local human resources such as teachers, medical personnel, middle management, newly qualified people and professional people. So, attraction and retention of skilled people are important here. While many of these factors are influenced by local government, several other actors can also influence the locational advantage and attractiveness of a place.

It is important to characterise a location in terms of whether it is dynamic, emerging, rural (marginalised) or declining using the 4 kinds of region logic (see section 5.1). Each of these 4 kinds of regions have their own characteristics and dynamics, and thus the expectations and priorities of the different locations also depend on their endowment of institutional and physical infrastructure, and the health of the leading sectors.

Triangle 3: A few years ago, this was presented as conflicting priorities that had to be turned into synergies. Now it is presented as different schools of thought (influenced largely by qualifications and theoretical basis) that must be understood for its main principles. The purpose is still to find synergies between the different approaches, but with more emphasis that all three approaches are typically needed in a given location. Thus, understanding the differences (and conflicts) are important to ensure progress is made by concentrating on the synergies, and understanding the differences.

Triangle 4: This triangle is often understood as the triangle of building sandcastles of never-ending interventions that continue forever. It is important to highlight that even a temporary intervention could be sustainable, if its impact changes the local dynamics in a positive way. Only after this point is understood should the different kinds of sustainable interventions be explained. Again, the idea is not to ensure the survival of enterprises at all costs (this is not sustainable), but to understand that failing enterprises is part of an ongoing process of economic growth, and that without the proper social safety nets, failing enterprises become social failures.

Triangle 4 also includes the wider definition of sustainability, the economic, ecological and social dimensions and in how far they are all addressed by a given intervention at the local level. This extended spectrum of values and criteria for measuring

This triangle is just an introduction of a much deeper topic, but in most LED training contexts the current presentation of triangle 4 is sufficient.

Triangle 5: The triangle of governance postulates that partnership between different types of local stakeholders (civil structures, local government/other public institutions and businesses/business membership organisation) is the appropriate governance pattern for LRED. The emphasis must be on the ongoing interaction, reflection and learning between the different stakeholders with different priorities. The feedback loops and the channels between the parties must be emphasized.

Triangle 6: LRED is based on an iterative process with the cornerstones participatory diagnosis, participatory planning and resource management, participatory monitoring of progress and evaluating of results. Participatory instruments are available for each step in the LRED cycle such as PACA (diagnosis), action planning (participatory planning) and Compass of Local Competitiveness (M&E). It is important to highlight that this incremental process is not neat and tidy, and that feedback loops, changing direction, asking different questions, etc. are all part of the incremental process. A last comment is to highlight that this is about starting and maintaining a change process that must gain momentum, or that must tap into local energies and interests.

The emphasis on the last two triangles must be on the ongoing interaction, reflection and learning between different stakeholders with different priorities. Here it is important to stress that in most developmental contexts, the priorities of business, civil society and governments are not synchronised, and that the roles between the private sector and public sector are increasingly becoming blurred. For instance, an NGO like the Gates Foundation is now the world's largest researcher and champion into Malaria prevention, displacing both the private sector and the public sector as champions of a basic health service intervention. Thus, planned approaches that are aimed at managing public funds or large budgets must be combined with participatory and exploratory search programmes where communities and interest groups can assess their own performance and learning.

If at all possible, the nature of how economies and hence societies grow, explore and evolve over time must be explored. The importance of identifying successful ideas and behaviours, and amplifying and copying these ideas must be understood. At the same time, learning from

mistakes, wrong turns, and less successful ideas must also become more public and reflective. Care must be taken against strong lobbies or advocacy groups, or by dominance by one or more kinds of actors.

Important issues not addressed by the Hexagon

In the background chapter it was already mentioned that it became obvious that when the Hexagon is used to train practitioners or more experienced individuals it was necessary to add additional sessions on topics such as:

- Systemic competitiveness and more specifically the often overlooked role of the meso level organisations and the meta level in creating a differentiated profile for a location. The virtuous and vicious loops between different issues in the systemic competitiveness framework are also important to highlight. For instance, in an area where there is little entrepreneurial dynamism combined with small scale local markets, the micro level is completely dysfunctional. However, most participants are able to figure out that the solution to overcome the problem is not to force people to start enterprises or cooperatives, but that a meso level intervention is necessary to train and promote entrepreneurship or an incubator programme may be more sustainable. This systemic perspective and the fact that the choices that officials make have impacts elsewhere in the local system is the main message here.

- How businesses work within markets, and how market failures affect business. At the same time, the failure of organisations such as businesses and government units (hierarchy failure) and the increasing importance of networks (value chains, business networks or temporary alliances) in transactions. Here the key message is that while markets are important, they are not the only way to transact. In conditions where enterprises fail to sell or market their goods, this is a business failure (marketing failure) that cannot be solved by market failure logic.

- The role of local institutions and organisations in creating positive externalities and public goods that provides a unique advantage to local industry. This is often not dealt

with in detail during the presentation and discussion of the Governance Triangle, especially not from an (new institutional) Economics perspective of the role of the public sector in reducing transaction costs and increasing positive externalities. The difficulty of information to flow locally, or the ability of locals to absorb available or relevant information can often only be overcome through public good-type services provided by local government, NGOs, business associations or perhaps a business. Certain services, such as agricultural extension services, or other training services create positive local externalities for local enterprises. Finding ways to stimulate interaction between different kinds of people, or different kinds of organisations can also strengthen local information networks. Getting organisations to listen and respond to local needs (even if these are national institutions or public bodies) can create a positive spin-off in a local community.

Overall, the Hexagon does not provide a strong theory on how societies evolve and grow economically over time. Very often participants are confused about what the causes and symptoms (effects) of economic growth are. For instance, participants would argue that the public sector creates economic growth, or that the poor play a central role in creating growth. While these actors play an important role in shaping economic growth, or while it is always best to try and make sure that disproportionate benefits accrue to the poor, the true levers of economic growth are still growth-oriented entrepreneurs that advance a society through a process of imitation, tinkering and deduction. This should not be confused with an important (although less leveraged) approach to ensure that (poor) people can become more self-reliant through income generating activities. However important it is to try and stimulate self-sufficiency in marginalised communities, the fact that local institutions and several other public investments are required to make a local community grow economically. Without the participation of existing private sector actors this is not easy. Very often this requires the cooperation of a multitude of well-resourced actors, or the strong leadership of a champion.

Using the Hexagon in a training session to transfer ideas and stimulate discussion
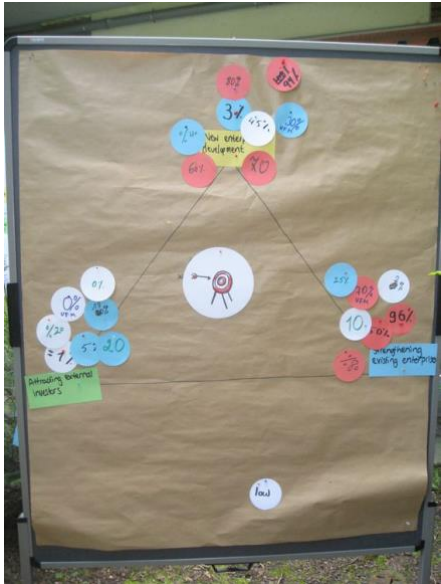
Based on our experience in using the Hexagon in different training and strategic thinking exercise, we provide the following tips.

- Present the triangles in the following order: 3, 1, 2, 4, 5 and lastly 6.

- Discuss their local comparative and competitive advantages with the participants and structure them into natural resources, generic advantages and unique advantages.

- Consider introducing systemic competitiveness, and especially the virtuous and vicious loops that exist between the different layers

- Run a session on defining markets and market features

- Do not shy away from presenting a session on market failure, hierarchy failure and network failure. Remember that each has its strengths and weaknesses, and that participants must understand this.

- Use the triangles to stimulate a debate and a reflection on the current reality of the locality or organisation. Important questions to ask throughout are:
  - How are resources currently allocated?
  - What are the current developmental priorities?
  - Which topics are not receiving sufficient attention?
  - What are unique opportunities that are not yet recognised nor exploited?
  - What are the symptoms and what are the potential causes of these?
  - What are the current investments or resources that can be better leveraged to promote the locality?
  - How must different people and organisations cooperate to improve the performance of the local economy?

The next section will briefly describe how we present each triangle. Please note that we no longer use MS PowerPoint to introduce these topics, it limits the ability of the participants to explore the topics for themselves. We prefer to use the triangles as thinking frameworks that enables stakeholders to reflect on their current and potential activities.

1.1 Triangle 1

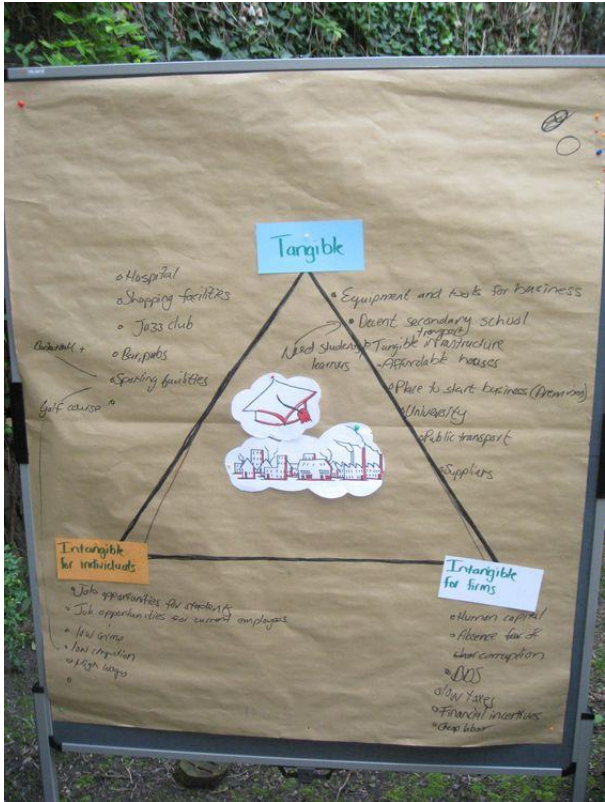|	Activity	Method
5'	Moderate a discussion of what the objective of LED is (call out session or card exercise). Build a hierarchy of objectives written on cards (ultimate objective of LED: jobs & income). Usually the link between LED, growth and jobs/income becomes apparent. Thereafter check where jobs and income originate from. Alternative: Ask the participants to identify the different kinds of business in a locality that can utilise local resources or that can serve local consumers (for example farms, big firms, a state owned enterprise, micro-entrepreneurs, cooperatives, external investors).	Brainstorming (verbally or Mesocard-based)
5'	Ignoring different other types of categorization, such as legal forms, ownership structures and sizes of business, cluster enterprises into 3 main kinds: • Existing business in the locality • New enterprises not yet formed • Enterprises external to the location not yet active in location	Place the 3 headings onto the triangle drawn on a pinboard. Explain and clarify the 3 headings.

15'	Ask the participants to identify how their current organisation, project or locality allocates resources to these 3 types of enterprises. Resources include time, funds and finances allocated and is estimated in a thumb suck percentage.	Divide participants into pairs or homogenous groups (e.g. by organisation or locality). Provide each group with cards so that they can agree on percentage of resource allocation)
5'	All the groups pin up their results onto the triangle to show the different priorities or allocations of resources	
5'	Explain the synergies between the different sides of the triangles, for instance how an external supplier not present locally could be linked up with an existing firm in order to make certain goods available locally (through licensing), or how an existing local firm can work together with new enterprises (supply chain development).	Draw directly onto the triangle

5-10'	After providing some examples, allow the participants to generate ideas about how these different kinds of enterprises can be combined or better leveraged to optimise existing local opportunities, or to create new local opportunities.	This can be a group discussion in the form of a brainstorming session, or in the pairs or groups that were used in the earlier step.

1.2   Triangle 2

	Activity	Method
5'	Identify several typical 'characters' that can be found in a local community, and assign roles to the participants. Make sure they understand their newly assumed identity. Examples: medical doctor, farmer, local businessperson, school child, young student, engineer, parent of a teenager, young family, government official	Call-out session
5'	Present the 3 headings of the triangle (<u>tangible local factors</u>) and <u>Intangible factors relevant for individuals</u> and <u>Intangible factors relevant for firms</u>	Use large triangle drawn on a pinboard. Draw a horizontal line through the triangle to indicate the visible (tangible) from the qualitative (intangible)
10'	Now ask each 'character' to identify in a call-out session their most important	This can be done in a group session or in small sub-groups. Write the criteria/expectations mentioned on

	criteria or subjective expectations under each heading. Or ask, "what are the factors that would attract them to live or invest in an area?"	Mesocards and pin them to the respective corner of the triangle.
5'	Add typical criteria/expectations that the participants missed to the picture written on Mesocards 	
5'	After all the comments are received, ask the participants to try and build links between different points. For instance, between "affordable local housing" and the ability of a local firm to attract a qualified employee (and family) to the locality.	Draw lines with arrows between points to show the relationships and connectedness of issues

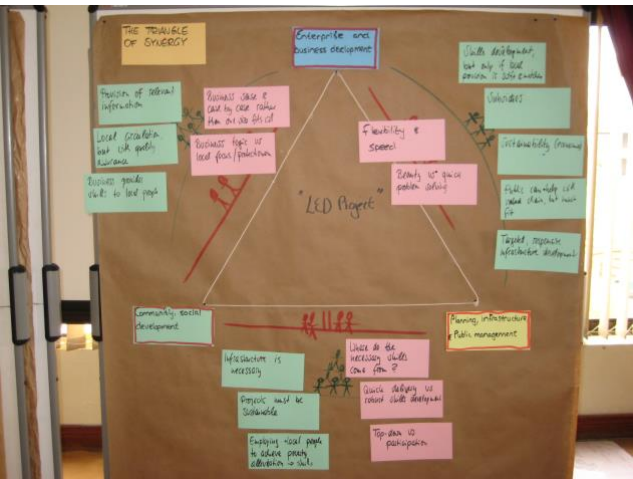| 25'	Divide the group into sub-groups. Next, instruct the smaller groups to draw a picture of their locality or a locality they are all familiar with highlighting the different perspectives. This is to show that the local perspectives are different (the map is different to the terrain) and that there isn't 1 static picture of the local reality.
5'	Allow the participants to present their maps, and to discuss their key insights.

' minutes

1.3 Triangle 3

	Activity	Method
5'	Ask all the participants to divide themselves into the following 3 sub-groups: 1. People that were educated in engineering, science, public planning, urban planning or public management topics, or that have work experience in these topics that they identify with 2. People that were educated in social development, community development or education 3. People that were educated in business management, entrepreneurship, economics or private sector development	
2-5'	Double check to see if everybody is in the right group. If there are huge unbalances between groups, check to see if there is are candidates that may be able to represent a different group (often gained through work experience)	
15'	Instruct each group to sit down and discuss their core principles when they approach LED. What is their main perspective at local problems or issues? What are their non-	It is important to stress that participants think creatively and at the extremes. Let the group capture their 'iron principles' or 'minimum requirements' on 4-6 cards.

	negotiables when they are asked to evaluate a LED project proposal? (For instance, people in public management or engineering typically think of "projects" in terms of whether it fits into a budget, and whether it meets planning criteria and standards.)	
5'	Let each group present their "minimum requirements" starting each sentence with "we demand" or "we require"	Pin up the cards at the corners of the triangle (with each group represented at a corner)
2'	Now divide each group into two, and then get each half to meet with a half from another group.	This can be achieved by physically getting half of each group (at least 1 person) to meet halfway in a physical space. Perhaps a flipchart can be used to mark the space and topic. For instance, half of the Public Management group will meet with the Social Development group, while the other half will meet with the Business Promotion group
20'	Instruct each newly formed group to negotiate the points that they agree on when assessing a LED proposal or idea, and the points that they cannot agree on	Capture the "synergies" or "agreements" on green cards, while capturing the conflicts or disagreements on pink cards.

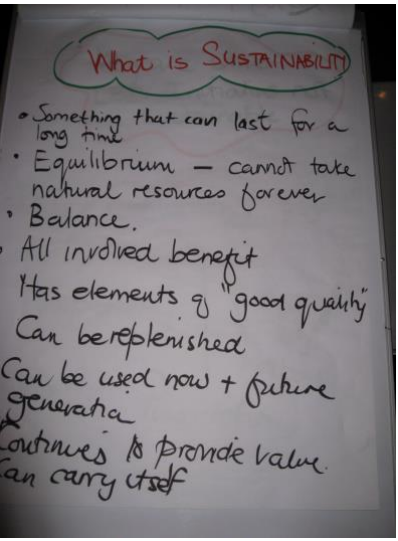|		
		Remind the groups that they should keep the perspective of the group where they originate from
5'	Let each group present back its findings 	
5-10'	Allow for a discussion on how the characteristics of different backgrounds and perspectives can be leveraged to strengthen local economic development activities. Explore how this insight can be used to approach groups or individuals with different perspectives. Stress that comprises is not a good idea, but that an understanding of the strengths and the weaknesses of different approaches are crucial. How do we get the best of both, without ignoring the important differences of two different perspectives?	

' minute

1.4   Triangle 4

	Activity	Method
5'	Discuss with the group the different interpretations and meanings of "sustainability"	

Use flipchart and record open discussion

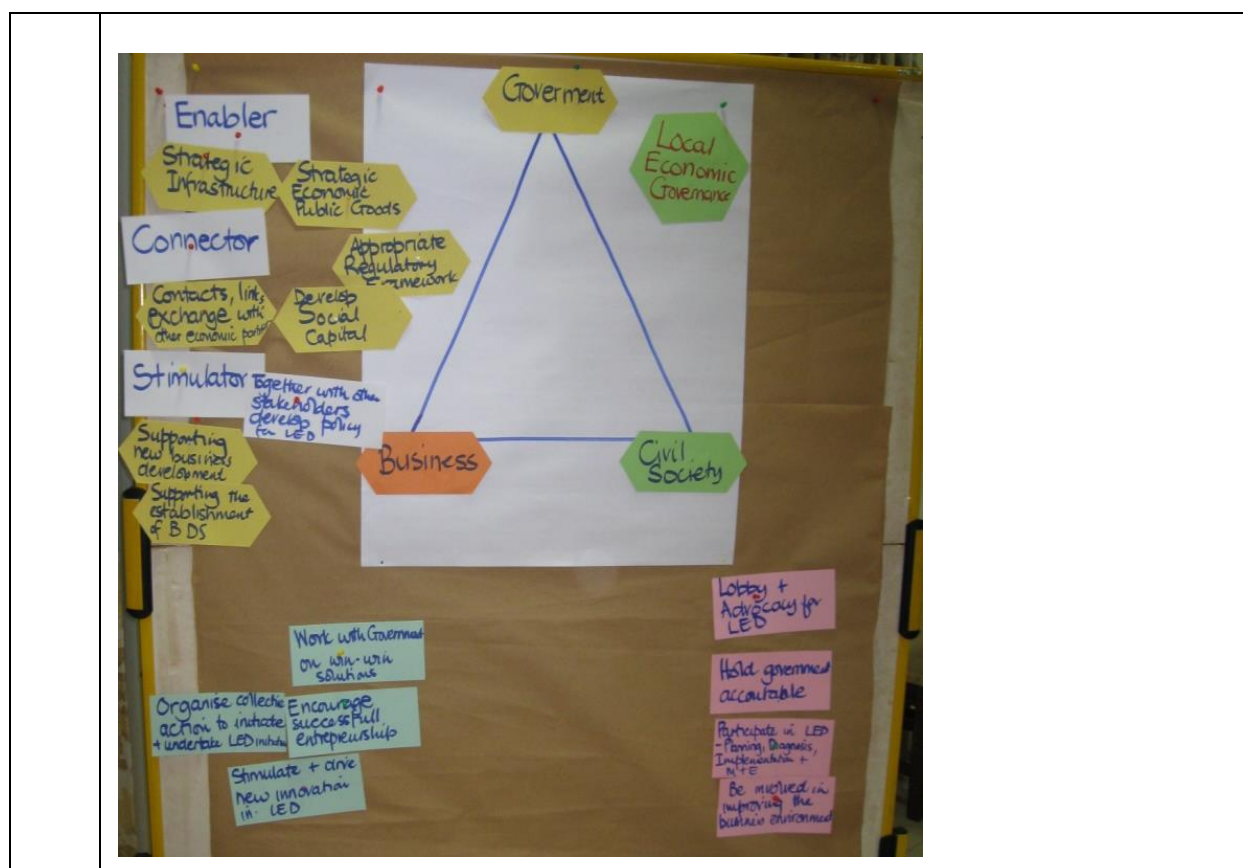|		
5'	Present the triangle of sustainability	
2'	Stress that "sustainability" does not imply creating activities, institutions or projects that last forever. Sometimes interventions are short term impulses meant to change a situation (like address a specific market failure)	
25'	Hand out the sustainability case study to participants, and allow them sufficient time to read and discuss the questions	Use printed case study (Woodsten Case study)
5'	Wrap up the discussion. How can we be more creative by connecting different priorities in LED to create more sustainable LED activities?	

' minutes

1.5   Triangle 5

	Activity	Method
10'	Who are the main groups of actors that are able to influence local economic development in this location? What is their priority and perspective on LED?	Group discussion
5'	Cluster the local actors into three groups of the triangle, and explain the triangle	
20'	Discuss the contribution, roles, interests and limitations of each kind of actor. What can be done to strengthen their respective contributions? What can be done to make sure that their interests are articulated and captured in the process? Counterfactual question: What must each actor do to destroy trust or momentum in LED?	Use a matrix to explore these issues. Another tool is the CLIP[2] exercise that looks at the Power, Interests, Legitimacy of different actors
10'	What is the difference between the interests of individuals / champions and organisations?	
5'	Wrap up	

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[2] See Social Analysis CLIP (Collaboration and Conflict, Legitimacy, Interests, Power) -

' minutes

Zini often use the following approach to present Triangle 5:

I also sometimes ask who the main drivers of LED in this locality are – often ending up with three cluster of government, business and civil society actors – then use the expectations matrix to get the discussion going. Randomly divide group into three, and group states their expectations of roles and responsibilities of the 2 groups in respect of LED. We conclude this by clarifying the complimentarily of the different roles

Shawn alternative approach: In a recent event, I started by revealing the triangle with the 3 corners. Then we brainstormed the interests and roles of the 3 types of actors. As the group that I worked with was from a NGO, they agreed that there were often breakdowns in
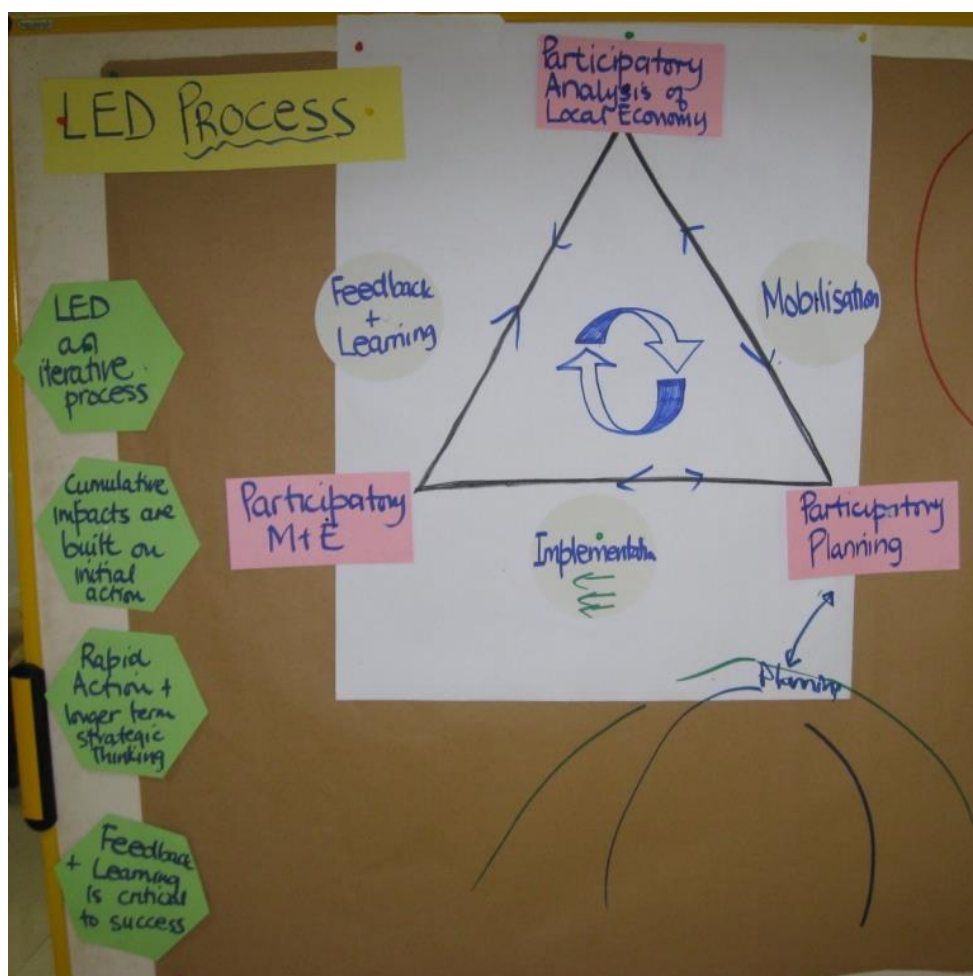
relationships or a limited range of interactions between local government and the private sector. To analyse this relationship, I divided the group into 2 and ran a simulation using the Interaction matrix. This allowed the local government representatives to consider the benefits and opportunities of working with the private sector, as well as the costs and risks. The representatives of the private sector did the same from their perspective. Then I gave each group another colour card, and asked them to analyse the relationships from the perspective of the other group. After pinning up all the cards we had a rich discussion about the fact that the two groups often identified the same issues, and that if they could move past accusing each other then it would have a huge positive effect.

Tip: to run this simulation requires that the participants adapt the roles assigned to them. Appoint a mayor and a chairperson for the chamber of commerce to facilitate the discussion with their respective constituencies.

1.6   Triangle 6

	Activity	Method
5	Introduce the triangle under following headings: 1. Search and exploration process (participatory diagnosis) 2. Planning and resource management (participatory planning) 3. Monitoring of progress, evaluation of results and learning (participatory M&E) Explain that economic development at a local level is a never-ending search process, and that this search sometimes happens organically in many places. However, we want to find ways of stimulating the search process thru small and quick diagnosis, participatory planning of activities, and joint evaluation and monitoring of performance, after which behaviour is adapted based on learning. This is one cycle, and the idea is to get several of these cycles running with the scope and complexity of the	

	issues taken on increasing over time. Draw a spiral from the centre of the triangle increasing in size until the spiral gets bigger than the triangle.
15'	Draw a large circle around the triangle, and explain that this is often the non-participatory official planning systems run by governments (with diagnosis or research, planning and approval, and monitoring and evaluation). Explain to participants that our plan is to get the informal search process eventually connecting with the formal plans of government, able to inform, influence and benefit from the larger official process.
15'	Introduce and explain quick wins and catalytic projects as two means to change the behaviour and improve the confidence of the local stakeholders.
10'	Discuss with the participants at what stage in the spiral they would formulate an LED strategy and why.

Zini recommends asking: "what are some of the main activities undertaken during an LED process. Link this to which activities are currently being undertaken or have been undertaken successfully or unsuccessfully. Often what emerges is the lack of "participation / input" especially by business as well as other key LED role players

Ensure that participants understand that there could be several simultaneous cycles occurring simultaneous and that this simple loop represents only 1 snapshot of 1 instance. It is also important to highlight the, "PROCESS" rather than "PROJECT" during this triangle. It may be possible to have this cycle or loop at an aggregate level (to describe the overall process) consisting of many simultaneous loops running in parallel. Instruments such as Compass can be used to explore these dynamics.

Additional formats used during training

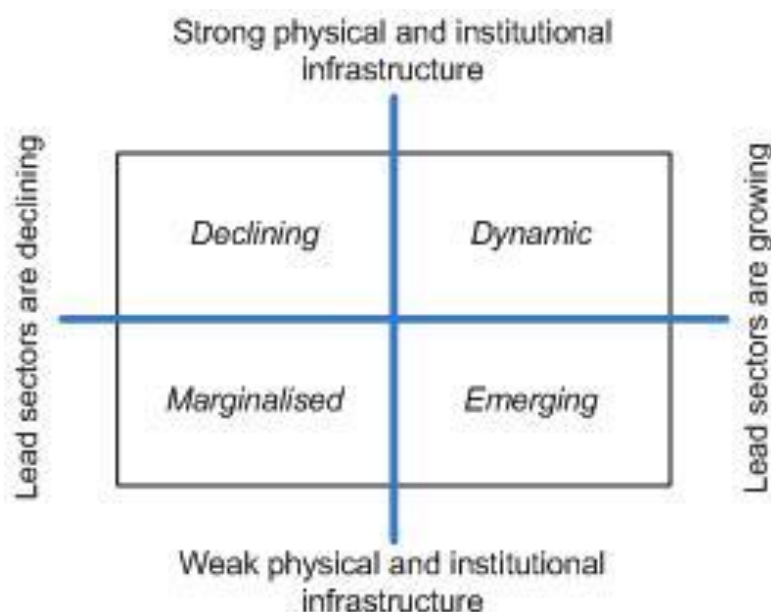### 1.7   Four kinds of regions (typology of regions)

The intention of this workshop is to get participants to understand that each territory can contain areas with growing and declining sectors, intersected by strong and weak infrastructure. This tool was originally conceptualised to help development agencies better focus its interventions, but it also popular to use in training sessions to facilitate knowledge sharing between practitioners with different backgrounds.

Preparation

1. Draw a large cross or matrix on the floor using masking tape.

2. Write the following four headings:

    "Lead sectors are declining", "lead sectors are growing", "strong physical and institutional infrastructure" and "weak physical and institutional infrastructure".

Write the following four headings for the different quadrants: "dynamic", "emerging", "declining" and "marginalised.

Format

1. Explain that it is important to consider that economic development must be contextualised within the realities of different sectors.

2. Introduce the matrix on the floor and explain that the matrix will be used to better understand the different approaches that must be taken in different regions

3. Ask the group if they could imagine an area where the lead sector is growing, and a place where the lead sectors are declining. Place the headings on the two ends of the x-axis.

4. Ask the group to then within those regions consider areas where there are strong physical and institutional infrastructure. Repeat for weak. Place the headings on the y-axis.

5. Place the correct headings on each quadrant. (Variation: ask people to physically position themselves on the matrix)

6. Ask the participants to identify a territory that fits each of the 4 quadrants

7. Ask the participants to identify the main characteristics of each quadrant.

8. Explain that sometimes a territory in a quadrant could represent a country, city, town or any other geographic space.

9. Highlight that almost every geographic space may have more than 1 of the quadrants within it. For instance, many cities would be considered "dynamic" areas, but they could include both "marginalised" and "emerging" areas.

10. It is sometimes necessary to highlight that not all rural areas are marginalised, and that not all marginalised areas are rural

11. Explain that on the right of the Y-Axis, most interventions should aim to make "the system work smoother" through increased communication and coordination.

12. Explain that on the left of the y-axis "strong leadership and change" is required, because the area needs a new vision and new hope.

13. Brainstorm activities that could improve the situation in each quadrant

1.8   Different kinds of Locational Advantages

When you run a Mesocard-based brainstorming on the local competitive advantages, you will usually get a substantial number of responses that do not really address a competitive advantage but rather natural conditions. Typical examples would be "climate", "soil conditions", "clean air", "beautiful scenery" or "beaches". In most cases, these advantages are not unique, so that a location that relies primarily on them may lose competitiveness to other locations that are more active in developing something special, something unique.

In order to discuss this issue in a workshop setting we put up the question: "What is the competitive advantage of your location?" We organise the cards that are coming up under three headings "natural resources", "generic advantages" and "unique advantages". A typical result would be to have most of the cards under "natural resources", a few cards under "generic advantages" and only 1 or 2 cards under "unique advantages". This tends to have an eye-opening effect on local stakeholders.

The three categories of advantages mean the following:

- **Natural resources** are factors that are given by nature (see examples above)

- **Generic advantages** are man-made competitive advantages that you find many locations. Typical examples are "abundant work force", "long history and experience of a sector", "good quality products" or ""good infrastructure conditions".

- **Unique advantages** are man-made competitive advantages that are specific to the location and that are really difficult to find elsewhere. Examples would be "Guided hiking tours to Bushman paintings" or "Well-preserved ancient town".

The objective of territorial development initiatives is to facilitate and support the creation of unique competitive advantages. Thus, it is essential to raise the awareness among local stakeholders regarding the difference between natural resources, generic advantages and unique advantages.

1.9   The Expectation Matrix

The expectation matrix is used to understand the expectations a variety of organisations have regarding everybody else's activities and roles. It can be applied in mini-workshops with a variety of representatives from different organisations. Alternatively, this workshop format can be used in a situation where a number of business-people and organisations are interested in getting engaged in a joint project. The workshop then serves in clarifying who can bring what to the table.

The example below is for moderating a workshop with three different stakeholder groups. The number of stakeholder groups to discuss their mutual expectations must be at least two, but is open to above. The larger the number of groups, the more wall space or pin boards and the more time is needed.

Format for a training workshop

1. Divide the participants into 3 groups: government, business, civil society (3 tables)

2. Groups write down their expectations (min 5) of each other group of actors on cards (colour coding applies).

3. Ask the groups to not use generic statements like "they must cooperate with us". They should be specific in the role, contribution, and activities of each organisation towards LED. The more precise the better.

4. Government: What roles and functions do you expect business (pink cards) & civil society (blue cards) to play in LED? What are the expectations regarding the own group (government / green cards)?

5. Business: What roles and functions do you expect government (green cards) & civil society (blue cards) to play in LED? What are the expectations regarding the own group (business / pink cards)?

6. Civil Society: What roles and functions do you expect business (pink cards) & government (green cards) to play in LED? What are the expectations regarding the own group (civil society / blue cards)?

7. Create a simple matrix with the group names represented in the workshop in the left column and the top row. Draw vertical and horizontal lines to divide the matrix into fields.

8. Ask participants to place their cards in the respective fields

9. Compare the results, identify patterns and inconsistencies

10. Each group marks with a tick ("We can fulfil this expectation") or a cross ("we cannot fulfil this expectation, or we can only fulfil it with great difficulty") onto the cards in the columns below the name of his/her sub-sector

11. Explain when to use the expectation matrix

Case studies used during training

1.10   Loisan case – written by Jorg Meyer-Stamer

The town of Loisan has a long and impressive history of industrial development. Founded in the middle of 19th century, it was already an acknowledged centre of the textile industry in the 1880s. In the 1920s, owners of leading countries reputedly spent the summer in top coastal resorts and casinos in Europe, escaping the chilly and humid winter of their subtropical, southern hemisphere hometown. Economic growth continued strongly until the 1980s, when due to macroeconomic problems in the country the textile market hardly grew any more. In the 1990s, crisis struck. The domestic market had been mostly closed against global competition. This changed in the early 1990s, and Asian competitors, especially companies from China, flooded the market with low quality yet extremely cheap products. Many of Loisan's local companies struggled for survival, some entering into receivership, some downsizing significantly, a few actually closing down altogether. However, in the course of the 1990s, the situation started to stabilise, and from about 1997 the local industry experienced a little bit of growth again, though starting from a level that had dropped to that of the early 1980s.

At this stage, there was something else apart from Asian competition that put local textile companies under pressure. Regional government's environmental authority started to get really serious about pollution issues. Most of the companies simply flushed their wastewater into the sewage system, which led directly into the local river. The local saying was, "look at the colour of the river, and you know the colour of fabric they are producing today". The environmental authority sent letters to the companies that basically said, "build wastewater treatment plants, or else". Soon afterwards, they started to fine major local companies for six-digit-amounts, indicating that they were dead serious and had the influence to follow their threats through. Yet the companies were battling,

since they were cash-strapped and none of them except one could afford a wastewater treatment plant. The one exception was a company that had always tried to be the model corporate citizen, that had very deep pockets, and that built a wastewater treatment plant at a cost of about six million dollars. But there was not only the issue of cost. Companies also just did not have the skills and knowledge to address the wastewater issue.

From a business perspective, things in the sector started to lighten up somewhat after 2000. The macroeconomic picture improved, the economy grew, and the textile and garments market grew more than proportionately. Yet the local textile industry in Loisan grew less than the overall market. An important reason was the predominant company culture, which was very much driven by engineers and technical excellence, rather than design and marketing excellence. This culture had emerged in the old days, when the predominant pattern was one of mass production of standardised yarn and fabric

in a closed market. However, in the 1990s in the garment market the structure of demand and of distribution channels had changed, leading to a rapid differentiation of products, which in consequence caused a necessity to change production processes all along the value chain from mass production to flexible specialisation. Companies in other regions of the country were quicker in responding to this change, thus taking market share away from Loisan companies.

You have recently been hired by Loisan's local government as the head of the recently

created local economic development office. So far you have no staff except a secretary, but you have a six-digit dollar figure as a budget that is freely available. Tomorrow you are supposed to appear at the council meeting, where councillors will expect you to come up with two or three practical and realistic ideas to address the challenges local industry is facing.

1.11 Sustainable Development at the Local Level: The (Fictitious) Case of Woodsten

Written by Jörg Meyer-Stamer and Shawn Cunningham

Woodsten is located in a region that is rich in forestry resources. Some of the forests are pine plantations that are owned by large corporations. Some of the forests are the result of government's reforestation effort, and they are either owned by government or in some cases by farmers.

The mainstay of the local economy in Woodsten are sawmills. There is about a dozen of them. Two of them are large operations that are owned by corporates. The others are owned by local businesspeople. The two large operations are very modern and highly productive factories with a rather limited environmental impact. Things are quite different with respect to the ten or so locally owned sawmills. They are using heavy oil as the main source of energy, and there is a lot of black smoke coming out of their chimneys and drifting across the residential areas that are located not far from the sawmills. There also is the problem of sawdust and woodchips, which are just dumped by the sawmills and are often set on fire by local youngsters who literally like to play with fire. Otherwise, the sawmill owners hope that the wind will just blow the sawdust away.

The social situation in Woodsten is not good. Two of the motives for reforestation were the ongoing degradation of soil and the increasing problems with availability of water, which was running away quickly rather than seeping into the ground. Agriculture was getting ever less viable, so that families migrated from the rural areas into Woodsten. The municipality now has about 40,000 inhabitants, and two thirds of them live in and around the main town. The total employment in the sawmills is about 2,000. Formal employment elsewhere – in local government and public services, in trade and other services – amounts to about 4,500. In other words, 6,500

individuals are formally employed, and there is a certain number of hawkers and informal businesses. There is, thus, a huge number of people who are looking for income through jobs or business activities, many of whom are living under precarious conditions in a shantytown.

Please look at the case of Woodsten from the angle of sustainable development. Try to connect an economic perspective, a social perspective and an environmental perspective. Try to come up with proposals for practical activities that connect two or even all three of those perspectives.

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