

**Strategic view of the PDHL Local Economic Development  
strategy in Mozambique**

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## **1. The context of implementation of Local Economic Development Agencies-LEDAs in Mozambique**

Data's analysed in the Investigation about Family (IAF) of 1996/97 and presented in the Extreme Poverty Reduction's Plan (PARPA) defined that in Mozambique the extreme poverty affects 70% of population, with an evident imbalance between urban and rural areas, and between different regions.

Causes responsible of poverty presented in PARPA are:

- a) Slow growth of economy until 1990;
- b) Low educational level of citizens in an active economic age, more evident in women
- c) High dependency's level of families
- d) Low productivity of family agriculture
- e) Fault of opportunities of employment in and out the agriculture sector
- f) Low development of infrastructures, specially in rural areas

These causes are more incidents in the PDHL intervention's districts, considering also that those territories were strongly attacked by the armed conflict until 1992.

The context in which PDHL started the activities in Mozambique is characteristic of a country in a transition's phase of post-conflict.

In this sense exist the necessity of a special effort to rebuild infrastructures in the intervention's territories, and to create minimum institutional and community conditions; to reconstruct the social fabric, which is the guarantee of the economic and social development and of a sustainable peace.

The Local Economic Development Agencies-LEDA in Mozambique borned in the strategic framework of the Local Economic Development component implemented through the Human Development Program at Local Level – PDHL MOZ.

### **1.2 LED component philosophic framework**

LED component developed activities in the three interventions' levels: international, national and local level.

At international level it is possible to interchange experiences with other countries with similar processes and history, obtaining elements that could be useful to construct the

own model. Besides this at this level it is possible to establish relationship with partners of technical and financial cooperation, through the mechanism of the Decentralised Cooperation.

At national level the experiences carried out at local level are projected in a dimension where it is possible to interfere with the country's policies, supporting the relationship with national and international partners. This relationship could guarantee the political and institutional sustainability of actions.

At local level LED component worked in three provinces and seven districts: Maputo province (Matutuine district); Sofala province (Caia, Chemba and Maringue districts); Manica province (Guro, Tambara and Macossa districts). The program at a provincial and district dimension defines the local level: it was realised activities at provincial level, like the LEDA's mechanism installation, that cover all the provincial territory. Most of the LED component activities are concentrated at district level, through a strategic approach of sustainability and a linked with the provincial level (LEDA)

The geographic areas of intervention where PDHL worked, have the main characteristic of a dramatic isolation, for the fault of access' roads or the awful condition, and a very low density of population with a high level of dispersion in the territories.

These characteristics difficult the link between communities and between them and the urban places, not only for the commercialisation, but also to obtain goods and services for the production.

These difficulties increase because traditional methods of production are still used in the districts and don't exist an organizative approach for production to promote the change from the traditional schemes to new ones related with organisation, production and commercialisation of goods.

Because the organisation for the production is the base of the communities economy 's construction, it is very difficult to think in the local economic development in the districts without a solution for these problems.

The development started when the organisations obtain a satisfactory capacity to "mobilised resources"<sup>1</sup>. Technical and financial resources and time are absolutely important to create these capacities. "Time" as a process' duration, defining activities and outputs for any phase.

In this context, PDHL's LED component defined to work in two complementary directions:

- a) Reinforcement of the productive base in the intervention's districts, through activities of organisation, training and technical assistance, building a bigger and

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<sup>1</sup> Lester C. Thurow, *Building Wealth: the new rules for individuals, companies and nations in a knowledge-based economy*, 1999, HarperCollins Publisher, New York

- stronger economic fabric in the communities. It was carried out also through complementary activities like build and rehabilitation of the basic economic infrastructure, installations of equipment and the institutional reinforce.
- b) Creation of participation and agreement's mechanisms for the economic development, like the Local Economic Development Agencies (LEDA), that are provincial mechanisms to support the territorial articulation between district-provincial-national level, integrating the most vulnerable and isolated people in a territorial economic dynamics, through strategic projects that include production and commercialisation.

## **2. LED component's strategy of intervention**

The LED component in PDHL program realised efforts to establish consensus at all the levels of intervention (national, local), with the protagonists (government, public powers, civil society, private sector, international community) about the economic development model to be promoted in the intervention's provinces, to attack the poverty's problem.

At local level (province-district) LED component looked to the reinforce of the local capacities and to promote opportunities for the development, through producers' organisation processes, that interested also women, improving the capacity of identification, formulation and implementation of projects in the intervention's territories.

It is through these organisations and the District Working Groups (promoted by another PDHL's component of intervention) that is created the linkage between the different levels of intervention (community-district-province).

To fight against poverty and unemployment, it is important to promote integrated policies of development, to articulate the economic necessities with the social ones, the national dimension with the local one, through a coherent methodology.

In the framework of the component, agreed with the programmatic meanings and the philosophy of formulation of the operational planes, the strategic intervention's lines are defined and, in general terms, are based on:

- Construction and reinforcement of local management capacities: reinforcing the organisation's processes at institutional and community level, training technique personnel and identifying strategic projects with territorial impact;
- Promotion of development's opportunities: identifying partner and financial resources, elaborating factibility's studies and projects' sustainability analysis, training the projects' honours (communities, associations, small producers, women, etc.)
- Conduction of processes: defining models of projects' implementation, identifying entities and mechanisms of execution; organising the project execution (administrative and technique).

### 3. Conceptual framework fo LEDAs

LEDAs are a *strategy* to promote the local economic development, that came as an output of a technique and organisation process in the general framework of the LED component. The organization process means the reinforcement of the local capacities for the management and conduction of processes of local economic development; the technical process has to provide all the elements for the formulation of proposal of development of territories which support and promote their own endogenous capacities.

LEDAs main characteristics are:

**Agreement.** LEDAs are the result of a process of agreement between the different public and private actors, economic and social instances at provincial and district level. The agreement with the national and international actors is one of the most important elements. The meaning of the agreement is: common vision of the development criterias; identify strenghtness and weakness of the territories, the definition of common objectives for the sustainable economic development, finding mechanisms and instruments to fight against poverty and social exclusion.

**Territory approach.** LEDAs have the *PROVINCE* as dimension of intervention. The Proince is a linkage between the communitarian/district level with the national level. At provincial level it is possible to realize the reinforcement of technique capacities of local actors, the promotion and organization of the economic development, and to create operative mechanisms to provide a contribution in the execution of policies and strategies of development, defined at territorial level, with the main objective to develop the endogenous potential, the human and natural resources; improving the management capacities of the local actors (public and private sector); promoting the investment through the identification of the focus of development and defining plans in the short, medium and long period.

LEDAs are promoting *WINDOWS* at district level, to permit a stronger relationship with the territory. The integration LEDA/territory is carries out through the district Working Groups which exist in the districts of intervention of PDHL.

Another way for the link with the territory is through LEDAs' members, that are presents at district and communitarian level and are executors of activities through LEDAs.

**Sustainability.** LEDAs sustainability requires 3 conditions:

- a) Political recognition;
- b) Social recognition;
- c) Economic sustainability

To define a strategy that consider the above mentioned conditions is necessary: a simultaneous intervention at politic, technical and operative level; the identification of

strategic allied that support the process with the same approach; a clear identification of the role that LEDA play in the promotion of the local economic development.

To implement this strategy is necessary:

a) To produce a common concept of Local Economic Development assumed by LEDAs.

The concept of Local Economic Development has to be shared not only between LEDAs, but with all the representatives of the territories where LEDAs work, identifying potentialities and weaknesses for the development and the elements to formulate policies to reinforce the existing initiatives, as well the implementation of news initiatives to support the local economic development.

Consequently, concepts and strategies that are defined and implemented in the territories, have to be coherent with the national policy of fight against poverty and social exclusion: LEDA would be included in this strategy.

b) Utilization of all the available resources

At local level as well at national level are identified strategic partners which whom realize partnerships to reinforce processes at political, technical and resources' management level. For example, international cooperation programs of different donors, initiatives against poverty promoted by United Nations (APPI, UNIVERSITAS, etc.), Decentralized Cooperation; national initiatives.

c) Promotion of income activities

LEDAs have to create their own mechanism to guarantee the sustainability through:

- 1) Providing services: training, technical assistance, studies, projects formulation, etc.
- 2) Identification, formulation and execution of projects: LEDAs promote three kind of projects:

- Strategic projects are those with an important possibility of linkage in the productive scheme (production/commercialisation) and with sectors related with their implementation. These projects, with a strong impact at territorial level, have to support the vulnerable groups through an approach of development. These projects can guarantee, in a medium and long period, the LEDA economic sustainability.

A sensitive point for the strategic projects is their formulation and the identification of the "projects honors": in this sense LEDAs could co-invest resources, to guarantee an incoming generation that represent one alternative for the LEDA sustainability.

From this kind of projects would be defined financial mechanisms, plans of technical assistance and training.

- Marketing projects: these projects have the objective to put in evidence the concrete activities of LEDAs, to promote partnerships with more actors to finance activities of economic development. These projects have a rapid impact with the beneficiaries and the territory.

-Community projects: these projects have as objective to improve the organization and the participation of the communities, trying to reinforce their capacity, transforming them progressively in real actors of the development, with capacity to manage a financing support, trained and with an acceptable technical level, to increase the value of their activity.

3) Financial management of the credit fund that LEDAs administrate and that generate interests. This solution can be adopted if international or national organisations that promote the Agency can provide also a fund directed to cover start expenditures and a fund for credit's activities.

d) Functioning "on network"

LEDA functioning is an example of network extended in the territory through the members organization:

- Members organisations permit the interchange of information about the necessities and potentialities of the territory;
- Capacities and strengths of members organisation are used, as well their representation at institutional and social level;
- Increase the LEDA capacity of negotiation;
- Management costs to implement activities and projects can be shared.

The objectives of a National LEDAs Network are the followings:

- a) To promote the LEDA initiative as a operative mechanism for policies and strategies of local economic development in Mozambique;
- b) To promote and to spread the economic potentialities and opportunities of the country
- c) To represent LEDAs at national and international level;
- d) To promote LEDAs in Mozambique
- e) To negotiate and to canalise financial and technique resources for the implementation of projects supporting the production in the framework of a strategy of local development related with the national and international economic integration.
- f) To promote the relationship and a network of technical, financial, commercial and administrative cooperation supporting the Agencies.

The Network has to be considered as a form to optimise the potentialities that each LEDA has. It is not a super-structure to increase operational costs and to realize activities which can be carried out by each LEDA.

LEDAs Network coordination can be alternate between the three LEDAs existing until now, with a fund for the coordination, interchange of information; publications, etc.

Each LEDA support activities costs.

#### **4. Institutional framework**

LEDAs in Mozambique have the legal status of Associations, integrated by a decisional structure and a technical staff:

- Decisional structure:

General assembly; supervisory board (included governmental institutions); management board; executive board (technical staff)

- Technical Staff:

Staff contracted, integrated by: executive director, technician for planning and projects; technician for promotion and information; technician in credit; secretary. The staff can be reinforced depending by the necessities and projects.

LEDA representation is one of the elements related with the social sustainability and it is referred with the kind of LEDA's members. Members are juridical persons which represents a group of natural persons, like associations, companies, etc. municipal councils. The 3 mozambican LEDAs included a total of 5 municipal councils as members.

Another kind of member are those that included associations: for example FOCAMA (Manica LEDA) that joint 42 associations; in Maputo LEDA the General Union of Cooperatives with 87 cooperatives joint.

The following table presents the different institutions, which integrate LEDAs in Mozambique.

**Table 1: LEDAs in Mozambique**

Province/LEDA	N. of founder institutions (public and private)	Kind of institution member	Comments
Manica/ADEM	17	3 municipal councils 4 private companies 8 associations 1 credit institutions 1 NGO	During the constitution process, the government participated actively and integrate the Supervisory Board. Municipal councils are members, representing the local population. The link with the districts is realized between the District Working Groups, promoted by PDHL through the component of management of territorial resources
Sofala/ADEL Sofala	15	1 municipal council 6 associations 3 NGO 2 private companies 1 educational vocational institution 2 credit institutions	
Maputo/ADEL Maputo	11	1 municipal council 4 associations 3 NGO 1 private company 1 educational vocational institution 1 credit institutions	
Total	43		

## 5. Perspectives for the future of LEDAs in Mozambique

LEDAs could be in the future a valid and sustainable mechanism to promote the local economy. This hypothesis is affirmed through some important situations:

- The technical and interlocutor dimension that, day by day, LEDAs are building at local level: formulation of strategic and marketing projects, related with the existing territorial initiatives (development corridors; Zambesi river's Valley office; IDEL;, etc.); LEDAs participation in the provincial instances of formulation of strategic plans; management of projects; etc.
- The approach of local economic development and the LEDA mechanism are coherent with the national policies (like the Mozambican policy against poverty, represented in the PARPA strategy), the local policies and the international (Copenhagen + 5).

- The interest affirmed by entities of decentralized cooperation, interested to promote the local economic development through the LEDAs as operative mechanism
- The possibility that LEDAs could be a national referent for international initiatives like:
  - International Event Rio + 10
  - NEPAD
  - Participation in International Network of LEDAs (ILS-LEDA, EURADA)
  - International Cooperation and decentralized cooperation.

LEDAs credibility is based on the Agency's capacity to develop itself and to develop the intervention's territorial resources.

The inter-relationship between LEDAs, like a **LEDAs National Network**, reinforce each LEDA and create the possibility that LEDAs would be protagonists at national level, related with the policies of fight against poverty and social exclusion.

To obtain a national credibility, LEDAs needs a consensus between themselves on the following fields:

- Definition of a common strategy
- Execution of strategic projects, marketing projects and communitarian projects, with a common strategy
- Definition of common mechanisms to support the projects' implementation (financial support, technical assistance)

### **5.1. Relationship with the governmental structures and policies/initiatives at national level**

LEDAs have to be and instrument to support the territory about the identification, formulation and execution of projects; at the same time, LEDAs can be an instrument to support the government to formulate policies related with the local economic development.

The institutional framework at national level in which LEDAS will be placed is the PARPA ( Plano de Acção para a Redução da Pobreza e Promoção do Crescimento Económico, 2001 – 2005 ).

At provincial level will be established a linkage with the provincial strategic plans of development, in which LEDAs are cooperating for the formulation. This will be the institutional and political framework the link LEDAs with the provincial government.

At the moment exist national and regional initiatives (like the "Development Corridors, IDEL) that represent an effort of agreement between public and private sector.

These initiatives promote the big investment in the framework of the methodology of territorial development approved by SADC: the resources are distributed for the management and execution of investment's projects. At the same time, these initiatives consider also the local economic development as an action line in the general strategy of promotion of the small and medium enterprises. This responsibility could be assumed by LEDAs, linking the promotion of small and medium enterprise with the strategic investment's projects.

It be supposed an efficient cooperation and communication with the governmental entities responsible to formulate and manage the development processes (district, provincial and national level), to obtain a strategic and methodological coherence, as well to reinforce the management of the resources.

In this sense will be appropriate to support an instance to link LEDAs with the national level (**National Unit for the Local Economic Development**), to facilitate the coordination and the definition of agreed lines of intervention with the different referents to be involved, as well the provincial level exist already and institutional referent (Governor office) and, at district level, the districts Administrators and their sectors' directors.

The National Unit will have also the duty to promote the philosophy of the LEDA mechanism, supporting the creation of new Agencies in the other provinces of Mozambique, as well to facilitate the access of the National LEDAs Network at the national and international initiatives and resources.