Without strong local institutions and motivated staff, decentralization and human settlements reform will not deliver the desired development outcomes. Yet, many local authorities and civil society organisations lack the human resources required to meet urgent needs. Training and capacity building is therefore a wise investment into the future sustainability of our cities. The Training and Capacity Building Branch (TCBB) of UN-HABITAT supports national training institutions to build their capacity to implement innovative programmes, focusing on local governance and sustainable human settlements development. Typical activities include training needs assessment, development of manuals, training of trainers, and impact evaluation. TCBB products have been successfully adapted and translated into over 20 languages.

This Manual is the second volume in the series on Promoting Local Economic Development (LED) through Strategic Planning. The series is comprised of Volume 1 – Quick Guide, Volume 2 – Manual, Volume 3 – Toolkit, and Volume 4 - Action Guide. The Manual is designed as a resource guide to walk stakeholders and local LED planning team, step by step, through a strategy planning process. It provides a framework for how to get started, analyze the local economic situation of cities, towns and communities, and reach a consensus on LED priorities, objectives, strategies and actions. The process in the Manual is developed around ten steps to planning excellence, and each of these steps is explained and illustrated in detail. The manual can be used to facilitate a stakeholders participatory strategy planning process for LED, but also to design and conduct training workshops. The four-volume LED Series is a resource for local governments, businesses and civil society organizations prepared to initiate and implement LED interventions through locally owned and driven strategic planning process.
The Local Economic Development Series

Promoting Local Economic Development through Strategic Planning

Volume 2: Manual
Foreword

All around the world, local governments, the private sector and civil society are demanding better ways to achieve local economic development, a cornerstone of sustainable development. This is due to the fact that local governments face increased democratic reforms and greater decentralization at the same time as massive transformations are taking place in the global economy resulting from trade liberalization, privatization, and enhanced telecommunications. The significance of these changes is that citizens and local governments now face formidable challenges, greater opportunity, and growing responsibility to work together to address the economic health of municipalities and the livelihood of their local citizens, many of whom may be under- or unemployed and living in poverty.

The purpose of the training series on Local Economic Development (LED) is to respond to this demand and help local authorities and their partners in the private, public and community sectors address these issues. Achieving economic growth and staying competitive is a serious challenge in itself. Ensuring the benefits of growth spread widely such that development becomes inclusive and impacting on the quality of life of all citizens is even more challenging. The question therefore is not only how we can make economic growth a reality in our communities, but how we can make sure that the growth benefits the marginalised and the poor. This requires firmly placing LED within the broader framework of local sustainable development. This in turn demands a strategic approach to LED that implies careful consideration of the various trade-offs, and making difficult choices. It also demands harnessing and mobilizing the local human, social, financial and natural capital towards the common vision, goals and objectives that the community aspires to achieve. This is possible only when the various stakeholders and actors join forces to make a difference in quality of life in their cities, towns and settlements.

This series on Local Economic Development, developed by UN-HABITAT, in partnership with EcoPlan International, is built around these principles. Whilst there are many tools and best practices in the field of local economic development, mainstreaming these into the local government institutional structure and development agenda remains a key challenge. This series will go a long way in bridging this gap, and enhancing the role of local authorities, elected officials and their officers, in guiding and stimulating local economic development to the benefit of their citizens.

The process of developing the LED Training Series relied on the above-mentioned basic philosophy of knowledge sharing. As is evident in the Acknowledgements, a wide range of local economic development professionals offered their ideas and experience to make this final document rich in content, robust in methods and widely applicable. There are many to
thank in the achievement of this training series: from the funding agencies – the Canadian International Development Agency (CIDA) and the Dutch Partnership Programme, to the contributing members of the “virtual round table”, to the dozens of trainers and members of local government, private sector and civil society. Their wisdom and pragmatism permeate the documents in this series. Due acknowledgement must also go to Gulelat Kebede and the Training and Capacity Building Branch (TCBB) team of UN-HABITAT who guided and contributed to the project while bringing it to fruition. Final gratitude is reserved for principal author William Trousdale of EcoPlan International, Inc. (EPI), as well as to the many co-authors who undertook the challenge of articulating this innovative training series.

Anna Kajumulo Tibajjuka
Executive Director, UN-HABITAT
Preface

Strategic planning for local economic development is important. It is a cornerstone of sustainable development. It involves wise resource use, integrating values and thinking ahead. These are demanding tasks that can be intimidating, and at times, overwhelming. They need not be.

In our work around the world, we have seen local economic development (LED) planning processes unnecessarily get stuck, lose momentum or, worse yet, not get started in the first place. In other cases, we have seen LED processes craving fresh insight, innovative ideas or a new sense of direction. We believe that confronting these basic challenges and taking advantage of these opportunities are well within our reach. It is this belief that inspired the development of this training series on LED.

As part of the development of this LED training series, we convened a Global Round Table of LED professionals. From Africa to Asia, Slovakia to Canada, Washington, DC to Quito, we received a myriad of perspectives on the core issues of LED. What we found was encouraging – the opportunities are great, the success stories extensive and the lessons learned helpful. Our Round Table participants pinpointed key issues in LED, such as leadership; enabling environments; children, youth and gender; job quality; society and environment; governance and democracy; culture; capacity; poverty reduction and globalization – to name but a few. Our Round Table participants agreed that for LED to succeed, local leaders and economic development practitioners need to have access to a range of tools, ideas and experiences to help them strategically address their own complex issues at the local level. Local challenges require local solutions.

We believe that strategic planning for LED is a pragmatic and powerful tool that can help significantly address local issues. By engaging in a strategic planning process for LED, at a minimum, this offers a way to improve the necessary interaction among business, government, labor and the poor. If done well, it provides a way to clarify competitive advantages, identify cooperative opportunities, craft innovative options and generate strategies that better achieve local priorities.

The commonality at the heart of all the comments from our Round Table is the belief that LED, broadly defined, can help communities to realize vibrant, resilient and sustainable local economies capable of improving the quality of life for all.

The LED series will yield a number of key measurable outcomes. It would respond to the existing demand and culminate in production of a tangible output that begins with local adaptations of these manuals, and ends with durable, long-term training and capacity building initiatives which are ultimately captured in the application of what has been learned. The LED Training Series targets the development of concrete action plans as a clear output of the training process. Partnerships and cooperation between public, private and civil society sectors underpin these action plans. The series is important in its contribution to promoting knowledge sharing. The LED
Training Series uses case studies and real world examples to encourage the evolution of learning-by-doing. The ultimate success and realization of these outcomes however lies on the creativity of local establishments and actors - local authorities, training institutions, informal sector operators, businesses, and civil society organizations - in adapting the tools to the realities on the ground and using this series as a living document, keeping it enriched through new insights, knowledge and experience.

So, if you have found yourself asking:

- How do we get started in LED?
- What are the steps and tools needed to develop a LED strategy?
- What are alternative LED programs and projects?
- What are other communities doing?

......then this LED Manual Series was designed to help you.

Similar to the other UN-HABITAT training manuals, the LED training manual and companion documents will be accessible to the public in print and electronic formats. It is our vision to have this manual become a “living document” that will continue to be improved over time and we encourage adaptation to local, regional and national contexts. As you use, change and adapt the documents in this training series, we request due acknowledgement and credit.

Gulelat Kebede
LED Project Coordinator
Training and Capacity Building Branch, UN-HABITAT
Acknowledgements

The ideas and information contained in this training manual series for Local Economic Development (LED) come from many sources and experiences. First and foremost, it is essential to acknowledge the support, advice and contributions of Gulelat Kebede, the UN-HABITAT manager of this project. Without his commitment and professionalism, this document would not have been possible and would have been of a lesser quality. It is also important to acknowledge the important contributions of his colleagues at UN-HABITAT, in particular Tomasz Sudra (who also participated in the field-testing), but Rafael Tuts, Erik Vittrup C., Catalina Hinchey Trujillo, and Dinesh Mehta also made important contributions.

In addition, we would like to thank those that contributed to our “Virtual Round Table”, which served as both the peer review process and a forum for discussion. We would especially like to acknowledge the contributions of Wassala Nimaga, CIDA; Gwen Swinburn and Fergus Murphy at the World Bank; Kees Van der Ree and his staff at the International Labour Organization (ILO); Jacqui Boulle, UN-Habitat Special Advisor to KPEL Indonesia; Karen Peachey, EcoTrust Canada; Luba Vávrová, Local Government Development Center Bratislava; Dr. Theo Van Der Loop, Regional and Local Development Studies of the Addis Ababa University; Francis Gentoral, Canadian Urban Institute Philippines; Nestor Vega, International Union of Local Authorities; and Peter Boothroyd, School of Community and Regional Planning at the University of British Columbia.

We would also like to thank other Round Table members for their involvement: Paola Bordi, ILO; Andrew Farncombe, Canadian Urban Institute; Jan Fransen, Institute for Housing and Urban Development Studies; Rebecca Justicia, Fundación Maquipucuna; Fred Fisher, IDIOM/USA; Peter Gerstlauer, LED Coordinator for the Local Government Water and Related Services, Sector Education, Training Authority (LGWSETA) South Africa; Michael Harstone, Oxfam Canada / BC Hydro; Tom Laviolette, Portland Hotel Society; Anna Vasilache, Partners Foundation for Local Development (FPDL); Maria de la Vega, Foundation for Sustainable Development; and Brian Ward, Federation of Canadian Municipalities.

After the peer review process, we conducted several field tests that greatly improved the content and usability of the manual. We would like to acknowledge the special contributions in Romania of Anna Vasilache, Nicole Rata and Ancuta Vamesu. We would also like to thank the town officials of Horezu, Romania and the 40 participants of the three-day workshop where these methods were applied. Finally, much excellent input was received from the participant trainers who came from Bosnia and Herzegovina, Bulgaria, Moldova and Romania during the training-of-trainers exercise, including Zoran Kulundzija, Miglena Todorova, Kostadinka Todorova, Aliona Niculita, Liviu Ianasi, Elena-Marilena Porbumb, Sabina Chirvai, Olivia Baciu and Claudiu Runceanu.
For our work in Zambia, we would like to acknowledge the facilitation and methodological input of Wassala Nimaga. Great thanks go to our partner organization, the Local Government Association of Zambia, and the significant contributions of Dan Longwe, Maurice Mbolela and Colonel Kenneth Kabungo. The field-testing was greatly facilitated by the assistance of Josephine Muchelemba and Pierre-Paul Perron at the CIDA Project Support Unit in Lusaka. However, the substance came from the Zambian and Zimbabwean participants, and heartfelt thanks go to Josephine Chimbwali, Mbwainga Mbwainga, Daniel Mapulanga, Patrick Katoti, Godfrey Musonda, Lilo Marohn, Mpataji Namumba, Ephraim Belemu, Joyce Chimbila, Ronald Daka, Prof. Peter Lolojih, Joseph Zulu, Morgen Gomo, Jonathan Simbeya and Gerrit McGowan for his technical support.

The Philippines was the final field testing site of LED Training Series. We partnered with the Canadian Urban Institute to field test in the Philippines. The professionalism and dedication of Francis Gentoral and his staff in Iloilo, Philippines made the work insightful and successful. EPI trainers John Ingram and Glen Hearns brought the materials to life. As always, it was the 40 participants from the Metropolitan Iloilo Development Council and the province of Guimaras that made experience worthwhile and input relevant.

We recognise the work done earlier by EcoPlan International, Inc. manual, co-authored with Karen Peachey, which was part of international project work completed with the Canadian Urban Institute, with the financial assistance of the Canadian International Development Agency. This local economic development training series has evolved from this earlier work. It is also not possible to overstate the importance of research and contributions of Lisa Kon Kam King, Maria Olascoaga, Daphne Powell, Samantha Andersen, Darren Cole, Sanjay Coelho, Jason Emmert, John Ingram and Aaron Burgbusch. We are also grateful for the contributions in editing by Heather Conn.

Finally, we would like to offer our special thanks to the Canadian International Development Agency (CIDA). Their support allowed for the original manual development. CIDA also actively participated in the Virtual Round Table process and supported the field-testing for this manual.

William Trousdale
Principal Author
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Understanding the Icons

Indicates that a tool has been developed and is available in Volume 3: TOOLKIT, a companion document to the MANUAL.

Indicates that a local economic development action idea has been developed and is available in Volume 4: ACTION GUIDE, also a companion document to the MANUAL.

Indicates specific tasks for a step in the process of Strategic Planning (for example, specific tasks in developing an Action Plan-Step 7). Also used as the icon for the MANUAL.

Indicates key questions to consider when implementing the various steps in the strategic planning process.

The globe indicates a short, real-world experience to demonstrate a concept or key point. These are not full case studies, but they do provide links to Web sites where more details can be obtained. To distinguish, these are referred to as “Case References” in the MANUAL document and as “Case Studies” in the ACTION GUIDE document.

Indicates a hypothetical example to explain a concept, rather than a real case study.

Indicates a free space for users to make notes.

Indicates a link to associated training materials.

The “Horezu Rooster” indicates a detailed step-by-step case study of activities taken in Horezu, Romania, to develop and implement an LED strategy using the LED Training Series as a guide. Horezu was a field-testing site.
Glossary

Local Economic Development (LED) has its own language and terminology, and many of the terms surrounding LED require interpretation and negotiation when applied in different institutional settings. Since some of these terms are not universally understood, a glossary of commonly used words in LED has been included in the back of this document.

A Note to Facilitators, Trainers and Teachers

This LED training series provides the resources necessary to facilitate a process, to train professionals or to teach a class. However, the LED training series is general and has not been designed for a specific group, country or culture. Therefore, we encourage you to adapt these materials to your specific needs, context and cultural surrounding. Be innovative, creative and resourceful in how you use the material in the training series, and how you present the ideas and tools to your audience.
Introduction

Case Reference 1: A Simple Approach – Three Workshops to a LED Strategy in Luque, Paraguay

In 1999, the municipality of Luque in Paraguay undertook a strategic planning process for LED. Luque, like other municipalities in Paraguay, faced the challenge of transitioning from centralised authoritarian rule under the Strossner regime to a more decentralised democracy with market-oriented systems. The municipality had established a partnership with The Canadian Urban Institute (CUI) and the project received financial support from the Canadian International Development Agency (CIDA). With CUI’s assistance, Luque underwent the steps identified in Step 1: Getting Started and Step 2: Stakeholders and Participation of this manual, which included an initial stakeholder analysis to establish a stakeholder group. The project enjoyed very strong support from the Mayor, but because funds and timing were limited, Luque was only able to hold three workshops. The output would be a basic LED strategy document that could be approved and implemented by the municipality to get them started in LED.

The workshops were designed and implemented with outside assistance and included a diverse partnership group of approximately 15 participants from all sectors of the city. In the first workshop, Workshop I, the participants reviewed the stakeholder analysis completed by city staff prior to the workshop and made suggestions for additional groups to be added, including their roles and responsibilities. They then undertook a SWOT analysis (Tool 3i). Lists were combined and critical points agreed upon. These points were used as input for Workshop II, which focused on objectives and strategy options. Based on the SWOT analysis, and following dialogue and discussion, the group agreed on the following six strategic objectives (Tool 5a):

Objectives

- Advance the organisation, management and leadership of the government and the private sector.
- Promote and support existing businesses.
- Create new businesses from within Luque.
- Regain and promote the reputation of Luque as a successful city.
- Promote Luque as an attractive tourist venue.
- Attract new businesses from outside Luque.

1. William Trousdale, EPI EcoPlan International, Inc. This manual’s principal author, provided facilitation support for the project.
These were then prioritised using a simple objectives prioritisation exercise (Tool 5b). After brainstorming actions and strategy options for Luque, and using the objectives to guide thinking, 22 actions were identified and grouped as “five pillar” strategy, shown overleaf:

**Strategy Option A: Promotion of Luque**
- Develop promotional materials; promote general awareness of Luque.
- Institute a tax to pay for promotion.
- Attract new business.
- Initiate research and analysis on the feasibility of new businesses (e.g., recycling, family businesses).
- Develop a programme of fiscal incentives.
- Develop a means of providing local credit.
- Develop awards/honours for successful new local business ventures.

**Strategy Option B: Existing local business support**
- Provide incentives to improve the quality of local products.
- Organise markets/fairs two or three times each year for local goods.
- Create ways to unite the management of resources.

**Strategy Option C: Implement organisational development and skills training**
- Organise courses and workshops for constantly improving the capacity and skills of Luque in economic development, sector specific, markets and technology, skills, organisational development.
- Create an “Office of Economic Development.”
- Create a multi-sectoral organisation for development.
- Create a Luque council of business and industry.
- Create industrial organisations and associations.

**Strategy Option D: Reputation and Governance of Luque**
- Provide incentives to pay and collect taxes.
- Publicise actions and incentives of the city.
- Fulfil government-citizen agreements (such as justice and security).
- Promote public participation.

**Strategy Option E: Tourism Development**
- Develop a tourism strategy for Luque, begin with:
  - Develop tourism brochures.
  - Give exposure to companies that participate in the LED project.
  - Create a tourism circuit in Luque.

Workshop III was then held to evaluate these actions and strategy options. First, due to the limited time and resources (and to avoid “go-nowhere”
making of “wish-lists”), they were first separated by what could be done in the near term, what was within the capabilities and constraints of Luque (e.g., organisational, governance, financial) and what could be used as a visible pilot project to keep momentum going. Then, using the results of the simple objectives prioritisation from the previous day, a basic evaluation of the 22 actions resulted in agreement on two of the actions for immediate implementation (see Tool 6b):

- Create a multi-sectoral office of Economic Development; and
- Create an economic development brochure for local businesses cooperation and to attract new businesses (an inexpensive and highly visible project).

Simple action plans were then developed to guide implementation. The Priority 1 action plan is provided below:

**Action Priority 1: Create a multi-sectoral office of Economic Development**

|------------|-----------------------|---------------------|------------------|
| Mixed representation (see stakeholder analysis) | **Primary or Lead**  
The municipality (Fuerzas Vivas) | Organised by mid-January  
First meeting (advisers): Thursday at 7:00 p.m. in the municipal hall | Municipality agrees to share costs with contributions of members (UIP, FEPRINCO, ONGs, MIC, CEPAE) |
| Maximum 15 members. Start with a promotion campaign for Luque (Priority 2, the economic development brochure). | **Secondary**  
- Commercial center merchants  
- Association of professionals |  |  |
|  | **Advisors**  
(nine individuals were named to initiate the action) |  |  |

The final strategy was compiled, documented and presented to the Mayor of Luque who accepted it and agreed to follow through with the recommendations of the stakeholder group, including counterpart funding.

About the Manual

The United Nations Human Settlements Programme (UN-HABITAT) and EcoPlan International, Inc. have developed this local economic development training series. It includes this Manual, a brief overview called The Quick Guide, and two companion documents, The ToolKit and the Action Guide. The series is part of the UN-HABITAT family of training manuals (see text box: Training Resource Link 1) and presents a strategic planning approach to local economic development (LED).

Training Resource Link 1

UN-HABITAT Manuals

UN-HABITAT has developed a series of complementary training manuals.

For example, complementary manuals to this LED series include Participatory Planning and Conflict Management as part of their Building Bridges series.

Visit UN-HABITAT at www.unhabitat.org

On one hand, this manual is about skills training and capacity-building. It is intended to increase the understanding of strategic planning and local economic development by local actors working in both the formal and informal economies. On the other hand, it is about getting results. Once the first steps that are laid out in this manual are completed, there should be a written LED strategy document that secures commitment from stakeholders and coordinates future economic development actions, which are the basis for successful implementation. The later steps help to ensure that implementation is actually accomplished and improved through monitoring and evaluation.

Manual Purpose and Output

Purpose

The purpose of this manual is to:

1. Provide a starting point for creating a local economic development strategy;
2. Provide the basis for understanding and conducting strategic planning and implementing local economic development;
3. Encourage local government and stakeholder/citizen capacity-building, local-area empowerment and local self-reliance through local economic development;
4. Promote an inclusive, participatory process that integrates strategic planning, local area participation, sustainability and good decision-making with local economic development; and
5. Provide links to other training and implementation opportunities that could assist the local district, city, town or local area with economic development.

Output

While many results are anticipated, three key outputs are targeted:

1. *Capacity-Building* – A better understanding of, and ability to act in, local economic development;
2. *A Written Strategy* – An articulated plan of action for undertaking local economic development in a local area (e.g., island, watershed, district, city, town or neighbourhood); and
3. *Implementation* – A significantly greater chance of successful on-the-ground implementation of local economic development actions, resulting from increased capacity, stakeholder buy-in and a realistic plan of action.

Manual Philosophy

There are many theories, perspectives and ways to pursue local economic development. This manual is humble in that it does not attempt to deal with this extensive body of information comprehensively. The goal here is more elemental. It is to provide the basic concepts behind successful local economic development and provide a place for individuals and organisations to start the planning process. This is done by breaking down the complexity into manageable parts.

The basic development concept expressed throughout this manual is sustainability, which is the pursuit of positive change that is socially just, economically vibrant, environmentally sound and politically accountable. This manual supports the belief that progress on all these fronts can best take place in democratic, market-based systems of production and distribution where governance institutions are capable and legitimate. We believe that this provides the best chance to improve everyone’s quality of life, including (and especially) that of the poor.

The planning steps described in this manual are designed to support sustainability by suggesting an inclusive and participatory process, with capacity-building as its cornerstone. By working with all members of society at the local level, our hope is that an economic development strategy will be generated that will have the support of key partners, promote coordinated
actions, be responsive to local values (e.g., community and environment) and help combat poverty.

Who is the Manual for?

There are four documents in this local economic development (LED) training series:

- **Volume 1: Quick Guide** – *Summary*, provides a brief overview of strategic planning for local economic development.
- **Volume 2: Manual** – *Concepts and Process* is an approach to LED in a 10-step framework;
- **Volume 3: ToolKit** – *Support Tools*, provides tools to facilitate each step in the framework;
- **Volume 4: Action Guide** – *Ideas and Case Studies*, supplies practical action ideas and case studies; and

The Manual and the companion documents have been designed as practical tools to guide municipal and local representatives in creating a local economic development strategy through a participatory process. The Manual is designed to be a learning instrument and a reference tool. It is a step-by-step handbook to guide in the LED strategy development. It is envisioned that trainers, teachers and professors will use this manual in a classroom setting as core material or as a reference document for practitioners working in LED. Therefore, the Manual provides a high level of detail and uses more technical language. The Quick Guide, on the other hand, is designed to provide a brief overview of strategic planning for LED and might be more appropriate for busy executives or those who are not intimately involved in creating the LED strategy.

The economic development process will need to be facilitated by a local leader, municipal officer, professional trainer or consulting expert. To support this facilitator, a companion ToolKit document has been developed with ideas and suggestions on how to move a group through the local economic development planning process. The facilitator will want to use the Manual as a foundation for learning and strategy development, condensing the information for presentation. The facilitator can also choose, or modify, tools from the ToolKit that are appropriate for the context: the group, the city and the country. Facilitators and trainers should be familiar with the material to utilise their experience and training approaches to achieve the best results.

In addition, the Action Guide companion document has been developed to describe common LED actions and, through case study examples, illustrate what other communities are doing. The Actions document has two target audiences. First, facilitators can utilise appropriate case studies to
draw out key points and promote an understanding of each training module. Second, practitioners in the field, including municipal staff, consultants and local leaders, can find examples of what has been done in other communities.

**Introduction: Case Study of Horezu, Romania**

During the field testing of the LED Training Series participants recommended that a case study detailing how each step of the 10-step process was implemented. Participants agreed that a real-world example would help better contextualise the manual for both training and actual strategy development purposes, although they also recognised that each local area undertaking a strategic planning exercise will have a unique experience, due to the size of LED area, the institutional capacity or other specifics reasons.

For this edition, we are including the Horezu, Romania case study.

In 2004, UN-HABITAT in collaboration with EcoPlan International, worked with the Romanian non-governmental organisation FPDL: Partners Foundation For Local Development, to organise a field test of the LED Training Series. A Training of Trainers programme was held under the Regional Programme “Working Together”, a Capacity Building Programme for CEE/SEE countries financed by Local Government Initiative of the Open Society Institute, LGI/OSI. Horezu was chosen because it is a small, manageable area (pop. 10,000) in the midst of a great economic transition with little experience in strategic planning or economic development prior to the initiation of this project. Therefore, it provided an excellent opportunity to field test the LED tools a timely manner from the beginning (e.g., Step 1: Getting Started).

It is recognised that a drawback of presenting a real-world case study of the 10-step cycle is that there would not be enough time to document all 10-steps. In Horezu, at time of publication, only limited action had been taken on Step 8: Implementation and no action has been taken on Step 9: Monitoring and Evaluation, or Step 10: Adjust and Modify.

Throughout each module, and at the end of each step of the 10-Step chapters, there is a brief description of what the FPDL facilitators and citizens of Horezu did as they worked their way through the process. This case study is marked by the symbol of Horezu, the Horezu Rooster, shown adjacent.
Overview

Learning Objectives

- To understand local economic development as one part of a larger local area strategic planning process
- To understand the need for a proactive or strategic approach to local economic development planning

Strategic Planning for Local Economic Development

What is Local Economic Development?

Local economic development (LED) is a participatory process in which local people from all sectors work together to stimulate local commercial activity, resulting in a resilient and sustainable economy. It is a way to help create decent jobs and improve the quality of life for everyone, including the poor and marginalised.²

Local economic development encourages the public, private and civil-society sectors to establish partnerships and collaboratively find local solutions to common economic challenges. The LED process seeks to

Training Resource Link 2

World Bank and ILO Resources

The World Bank and International Labour Organisation (ILO) has developed important resources for LED training and implementation. Some specific training resources will be reference throughout this manual, but you are encouraged to visit these Web sites:

The World Bank: www.worldbank.org/urban/led
The ILO: www.ilo.org

² To compare alternative (but similar) definitions, visit the World Bank Web site and the ILO Web site (Training Resource Link 2), among others.
empower local participants to effectively utilise business enterprise, labour, capital and other local resources to achieve local priorities (e.g., promote quality jobs, reduce poverty, stabilise the local economy, generate municipal taxes to provide better services). LED practitioners have many programme and projects opportunities available to them, but to succeed, there needs to be an understanding of the range of strategy options and a process by which local areas can create the best mix of actions to achieve local objectives.

Creating a LED strategy is an integrated, process-oriented and non-prescriptive endeavour. It fundamentally embraces Local values (poverty reduction, basic human needs, local jobs, integration of social and environmental values), utilises Economic drivers (value-added resource use, local skills training, retention of income, regional cooperation) and considers Development (the role of structural change, quality of development). This suggests that LED is not about “quick fixes” or generating “wish-lists”. In fact, best practice suggests that trying to determine what actions to undertake, as the first step, is to do LED backwards. Rather, first ask why economic development is important and who should be involved in the process. Then, generating a clear vision and linked set of objectives, based on a practical understanding of the marketplace, will lead to successful projects, policies and other strategy actions. Strategies can be generated that coordinate targeted actions that develop from within the local area (maximising local resources, plugging economic leakages) and from outside (attracting business and technology compatible with local values and needs).

Along the planning and implementing journey, it is important to look for small, easy actions with visible results to help maintain momentum. In some cases, simply initiating a single project that focuses on one critical issue will pave the way for long-term success in LED. Ultimately, however, LED is about sustainable development in the long-term. It takes time to change local conditions, build capacity, organise participatory processes, and empower stakeholders, especially the marginalised and poor (see text box: Training Resource Link 2, above).

Learning from the past

Originally, local and regional economic development was almost exclusively an issue for national government policy that advocated direct intervention in the economy. In many parts of the world, this intervention was achieved through state-controlled companies. In more democratic environments, governments used economic development incentives to attract investment and business activity through hard infrastructure investments (e.g., roads, telecommunications), often combined with concessions such as tax breaks, cheap land, reduced service rates and even direct financial rewards in return for business and industry locating in the local area. The idea behind these early local economic development strategies was that public investment creates jobs and provides taxes. It was still a “top-down,” public-sector-driven

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3 Based on Boothroyd, P. and H.C. Davis, 1993.
activity that worked with relatively few economic actors. In the 1960s and 1970s, local governments began to adopt these strategies in response to declining economic activity and increasingly mobile capital. In nearly all cases, these strategies tended to be prescriptive, unresponsive to local priorities (which were not clearly articulated) and, in some cases, adverse to the values of the community.

Later, in the 1980s and 1990s, although it was still public sector driven, the concept of economic development became more “local” and began to embrace ideas such as retention and growth of existing businesses through business support services (e.g., business matching, financial and business planning). It focused on the attraction of investment in specific sectors and emphasised better spatial planning to bring people and jobs closer together, reducing travelling times and costs. Creating a favourable business environment that encourages the entrepreneurial spirit of local residents and allows existing companies to grow and new companies to establish is also a core part of more thoughtful LED strategies.

These concepts continue to be tested and expanded as we enter the twenty-first century. Spatial planning has grown to include progressive approaches that link profitable growth and redistributive development – giving planning permission to develop in profitable areas but linking it to affordable housing, live-work-play opportunities and investment in more impoverished...
neighbourhoods, while being efficient in use of infrastructure spending. Recognising people as a core resource and investing in “soft-infrastructure” have also become more integrated into LED strategies over the past three decades; this includes the promotion of local training opportunities, as well as requiring firms to provide a minimum amount of training for their employees. The rationale is that low skill levels, especially among the poor, limit local participation in economic growth and are a key constraint facing potential investors.

Today, a broad range of private sector and non-government organisations have become increasingly involved, making the “social capital” of local empowerment, partnerships and networks a fundamental part of LED strategies. Of critical importance has been the growing recognition that the poor need to have a seat at the table, as benefits are unlikely to reach the most needy unless they are active and capable participants. Also, the concept of “natural capital” is becoming more mainstream in LED strategies, suggesting that strategies look into not only exploitation of, and investment in, natural resources (e.g., timber, water, fish, oil) but also the economic services of living systems (e.g., flood control through forested hillsides, purification of water with wetlands, aesthetic benefits) and the harnessing technology to reduce, reuse and recycle waste.

**Why Plan for Economic Development?**

Globalisation, decentralisation and market liberalisation present new development challenges and opportunities, particularly at the local level. While these issues are global in nature, some of the biggest and most immediate differences can be made at the local level. Experience tells us that only a few locations are going to become the next “Silicon Valley” or attract “the big winner,” that major new industry which can simultaneously save the local economy and protect local values.

For most places, economic development requires a more fundamental approach: understanding what the local area is good at and what it has to offer; where its weaknesses are, what outside threats and opportunities exist; and what the local area wants and needs. Success in LED depends on the local government encouraging a business environment where markets can operate efficiently, but appropriately, within the local context. In most local areas, especially in developing or transition countries, micro, small and medium-size enterprises should be strongly supported and encouraged to take the lead since they play a key role in creating new employment, local wealth creation and tax generation. To do this requires partnerships, policy and regulations that are supportive of local business activity, business enterprise support facilities and coordination. Strategic planning offers one of the best ways forward.
What is Strategic Planning?

Strategic planning is a systematic decision-making process that focuses attention on important issues and on how to resolve them. Strategic planning provides a general framework for action: a way to determine priorities, make wise choices and allocate scarce resources (e.g., time, money, skills) to achieve agreed-upon objectives. This manual organises strategic planning for local economic development into a series of four basic questions:

1. Where are we now?
2. Where do we want to go?
3. How are we going to get there?
4. How do we know when we have arrived?

Answering each of these questions involves a number of steps that takes you through the strategic planning process. This process is illustrated in the Ten Steps to Planning Excellence.

Ten Steps to Planning Excellence

Note: While the planning – implementation-planning cycle is an on-going one, it is also an ever-evolving one.

The 10 Steps might need to be applied to a project or revisited at the strategic level after “Adjustments and Modifications” take place.
Time Requirements of Strategic Planning

One of the challenges to understanding Strategic Planning is to get a sense of how much time is required for each step and how these can vary. The first key point is that there are no rules regarding time requirements for each step of the process, for each planning process is different (although, after thinking through the process, it is important to establish deadlines for completing each step). To develop a strategic plan it may take as little as two weeks, highlighted in a three to four day “weekend retreat” or conference, to as long as a year with many meetings and activities.

Jump Start the process by "Picking the Low Hanging Fruit" and Getting Visible Results

During field testing of this manual, participants asked that we consistently highlight the importance of getting visible results early. A LED process should have the means to move quickly from abstract ideas and principles to visible changes in people’s lives. Early visible results help maintain momentum and interest in the process by showing action on the ground. The best way to get visible results is to find the ‘low hanging fruit’ those projects that are easily ‘picked’ – obvious, simple actions that are attained without difficulty and that can be implemented quickly.

A strategic planning retreat or conference is usually only possible with skilled facilitation and with organisations that function well. Typically, much of the preliminary analysis and information is reviewed ahead of time and the planning sessions are limited in scope. For a municipality conducting their first LED strategic plan, getting started, identifying stakeholders and participation, and conducting research may take many months. Developing a vision might still only take a half-day during the workshop process (unless broad public participation is incorporated). Organising issues and setting objectives will likely require more time than visioning, perhaps one to two days of the workshop, or several meetings over a longer period, with strong facilitator support between. Similar effort will probably be needed for developing strategic options and evaluating them. Once actions are identified and action plans have been developed, the much more time intensive act of implementing, monitoring and evaluating begins.

Iterative Nature of Strategic Planning

While this process appears as a series of distinct steps to be followed in succession, many of these steps will need to be revisited as new information emerges, strategy options are refined, and new people, ideas, and perceptions are brought into the process. However, it is important to complete the process in a timely manner, at a high level if necessary, and avoid getting bogged down in any one step (e.g., due to uncertainty, lack of data). Just as there is...
back and forth within any given step in the planning cycle, the same is true of planning itself. The figure above describes a possible process, whereby a single project is planned and implemented, leading to the initiation of a broader strategic plan and more project level plans of different sizes. As monitoring and adjustment of the strategic plan takes place, a new process might be initiated as a result.

New Thinking and Change Management

Participants in some of the field testing workshops indicated that “change management” is an important aspect to strategic planning for LED, and that a “mind change” might be required to empower local stakeholders and implement LED process and actions. It was suggested that a section on change
management be included in the manual. This request is reasonable when considering the turbulent, messy and often chaotic planning environments faced by many local authorities who must deal with globalisation, decentralisation, poverty, unemployment, and transition to democracy and other significant issues. Taking action now at the local level, without excuses (e.g., “We are waiting for new national policy or donor funding”), and including multiple stakeholders as partners in the process (as opposed to interventionist approaches), requires initiative and confidence – because this might be a very different way of doing things.

Therefore, managing change is fundamental. Experience in this field suggests that managing change, or, more often than not, grappling with change, requires an anticipatory or proactive response. The strategic planning approach outlined in this manual is just such an approach. Strategic planning supports the task of change management by helping to bring a sense of order to a messy situation, as it is dangerous to pretend that order and discipline exist if they, in fact, do not. Some basic ideas from the field of change management are: Jump in and get started; have a clear sense of purpose; toss out the rulebook since change, by definition, calls for innovation, not loyalty to routines; have patience and be persistent to achieve the “mind change” required; and, get some quick results while focusing on long-term cause-effect.

Negotiation Theory and Decision Analysis

Many readers will recognise that the strategic planning process suggested in this manual is consistent with negotiation and mediation theory, and supported by analytical tools of decision analysis. In the classic text Getting to Yes, Negotiating Agreement Without Giving In, Fisher and Ury describe four principles for reaching wise and lasting (therefore sustainable) agreements through effective negotiation. Wise agreements, they tell us, satisfy the stakeholders’ interests and avoid positional bargaining that might be detrimental to stakeholder relationships. In LED, it is precisely these relationships that foster successful implementation, a prerequisite to sustainable development. The four principles in the approach are: 1) separate the people from the issues/problems; 2) focus on interests rather than positions; 3) generate a variety of options before settling on an agreement; and 4) insist that the agreement be based on objective criteria. These principles weave their way through Steps 3-7 of the Ten Steps to Planning Excellence.

Negotiation theory also provides us with some insight into power relationships and the challenges these create in reaching wise agreements. Based on the premise that the only reason to enter into a strategic planning process (or negotiation) is to produce better results than are otherwise obtainable, it only makes sense to think about each stakeholder’s best alternative to a negotiated agreement or BATNA. In planning and negotiation, a stakeholder’s BATNA is a source of power. For example, some stakeholders

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might consider informal street traders a nuisance and might want them forcibly relocated. However, a non-negotiated agreement like this might lead to worse general outcomes (e.g., greater unemployment) and encourage the street traders’ BATNA (e.g., reactive actions by street traders such as protests that disrupt business). Applying the strategic planning process should help avoid unnecessary confrontation.

In strategic planning for LED, these helpful principles are supported by recent work in decision analysis. For example, Keeney, in his exemplary work *Value Focused Thinking*,\(^5\) helps us move the planning process forward by providing us with analytical techniques for examining the issues and problems, turning the interests into well-structured planning objectives, then using these objectives to drive the generation of creative strategic options. Finally, specific tools for evaluating options with indicators (objective criteria) and redesigning these options are also essential to wise decision-making.

**Benefits and Challenges of Strategic Planning for Local Economic Development**

Recognising the benefits and challenges of strategic planning for LED, and grounding process expectations in reality, helps prepare for a successful outcome. In the table below, the column on the left summarises the benefits and the column on the right describes some of the challenges.

**Table 1: Benefits and Challenges of Strategic Planning for Local Economic Development**

<table>
<thead>
<tr>
<th>Benefits of Strategic Planning for LED</th>
<th>Challenges of Strategic Planning for LED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enables communities to prioritise their local investment spending and allows them to present a clear investment strategy to funders/financiers</td>
<td>Getting the LED process started (this requires leadership, vision and motivation)</td>
</tr>
<tr>
<td>Creates more, better quality local jobs and local wealth</td>
<td>Keeping the LED process going once it is started (this requires strong skills in group facilitation, communication, and information management)</td>
</tr>
<tr>
<td>Enables communities to better manage change and shape the future</td>
<td>Constraints on timing, budget, skills and capacity to develop the plan</td>
</tr>
<tr>
<td>Provides shared understanding on priorities, and direction on local economic issues and on what needs to get done</td>
<td>Changing governments, staff and members of the stakeholder groups (this requires institutionalisation that does not rely on individuals and personalities)</td>
</tr>
<tr>
<td>Serves as a bridge between the local authority and the broader community</td>
<td>Bringing the diversity of local area interests together and addressing cultural limitations</td>
</tr>
<tr>
<td>Improves leadership and encourages open communication</td>
<td>Difficulty of setting realistic objectives, common priorities and achievable actions</td>
</tr>
</tbody>
</table>

Who should be involved in planning a LED Strategy?

A Participatory Approach

This manual promotes a participatory approach to LED as a practical way to get long-lasting change. Step 2 provides more detail regarding participatory process options. Two key actors in LED are the business community and the local government. However, a participatory process should consider a broader stakeholder base: local leaders; labour organisations; non-governmental organisations (NGOs); citizen-based organisations (CBOs); informal economy groups; institutions and educational organisations; and other jurisdictions/levels of government. Implementing a participatory process and developing a LED strategy requires leadership. The following section reviews the important role of leadership and the special role of local government in a participatory process.

Leadership, Local Government and LED

Leadership in LED can come from the local government, the private sector, NGO/CBOs or a partnership among the stakeholder groups. One stakeholder that will likely need to be involved, and that we believe should be fully involved in local economic development planning is the local government. A strong argument can be made that the local government should play a leadership role throughout the planning process, ultimately giving final

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<tbody>
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<td>❑ Provides opportunities for cooperation and partnership</td>
<td>❑ Integration of economic planning objectives with other local area objectives</td>
</tr>
<tr>
<td>❑ Provides opportunity for local area participation that can generate broad agreement on strategic directions</td>
<td>❑ Issues of jurisdiction: exerting local control over resources or policies might be difficult</td>
</tr>
<tr>
<td>❑ Can mobilise a diverse and broad range of organisations and interests</td>
<td>❑ Capitalising on opportunities for inter-local area cooperation and competition</td>
</tr>
<tr>
<td>❑ Provides a high level of credibility and local area buy-in</td>
<td>❑ Moving from a state of constant crisis management to long-term strategic planning</td>
</tr>
<tr>
<td>❑ Develops results-oriented action plans with targets, timelines, roles, responsibilities and budgets</td>
<td>❑ Getting commitment and resources to follow through and implement the plan</td>
</tr>
<tr>
<td>❑ Allows for monitoring, evaluation, and adjustment of strategies to changing conditions</td>
<td>❑ Spending the time required to build partnerships.</td>
</tr>
<tr>
<td>❑ Promotes a strategy that reflects local area interests and economic realities</td>
<td>❑ Getting people who currently benefit from the status quo to accept possible changes in the power structure</td>
</tr>
<tr>
<td>❑ Integration of economic planning objectives with other local area objectives</td>
<td>❑ Spending the time and money to involve poor and marginalised people</td>
</tr>
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</table>

Integration of economic planning objectives with other local area objectives
Issues of jurisdiction: exerting local control over resources or policies might be difficult
Capitalising on opportunities for inter-local area cooperation and competition
Moving from a state of constant crisis management to long-term strategic planning
Getting commitment and resources to follow through and implement the plan
Spending the time required to build partnerships.
Getting people who currently benefit from the status quo to accept possible changes in the power structure
Spending the time and money to involve poor and marginalised people
endorsement of the strategy. Why? First, a democratically elected local government is accountable to its citizens; therefore, it can add legitimacy to the LED strategy. Second, the local government is involved in developing complementary and competing plans for development, and is well-positioned to integrate these plans, including social and environmental objectives.

Third, the local government is already deeply involved in local business activity as suppliers of infrastructure, tax collectors and regulators of land, buildings and activities. In many countries, the increasing trend towards decentralisation and local governance underlies the crucial role of local government. A final argument for local governments to take a leading role is the global consensus and commitment by national governments on poverty reduction as expressed in the millennium development goals and the poverty reduction strategies (PRS) promoted by the World Bank and other development partners. In any country, the implementation of a PRS is unlikely without visible leadership from local governments.⁶

In some cases, other groups might be better positioned to take a leadership role, especially when a local government faces significant constraints (e.g., lack of resources, understaffed and untrained, lack of political will). Leadership might come from business organisations in the private sector because they are intimately involved in the economy and can harness innovation and the entrepreneurial spirit. Leadership might also come from non-governmental organisations (NGOs) and citizen-based organisations (CBOs), some models of community driven economic development include credit unions, cooperatives, and lending groups (see Action 19: Cooperatives; Action 20: LED organisations; Action 24: Micro-Credit in Volume 3: Actions). Even when local government does not take the lead, local government should be included as a participating stakeholder to understand how their policies, programmes and plans affect the local economy.

Regardless of who takes the leadership role, best practice bears out that representatives of key sectors from government, the private sector and civil society should be involved early in the planning process. This will lead to partnerships that often play a central role in implementing LED strategies. Without mutual support from a range of stakeholders, the outcomes of a LED strategy are more prone to fail from instability, stagnation, and a sense that they are temporary, serving only the political factions currently in power.

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⁶ For information and examples of PRSPs, see the World Bank Poverty Reduction Strategies and PRSP Web site: http://www.worldbank.org/povertystrategies/
Market Economies and Decentralisation

Throughout the world, local governments are engaging in an increasingly competitive global economy that is rapidly embracing market-oriented economic systems. At the same time, local governments face increased democratic reforms and greater decentralisation. Prominent examples can be found in countries where the transition from authoritarian regimes to democracy is actively taking place: Asia (e.g., the Local Government Code, Philippines; Law 22/1999, Indonesia); Africa (e.g., 1993 implementation of a decentralised system, Uganda); South America (e.g., Law of Departmental Decentralisation, Paraguay); and Central and Eastern Europe (e.g., The Dayton Accord, Bosnia). These trends are also visible in established democracies (e.g., The Alberta Metis Settlements Accord Legislation, Canada). The significance of this trend is that citizens and local governments now have greater opportunity, and growing responsibility, to actively shape their future. Today, it is widely recognised that local economic development must accompany the process of decentralisation to strengthen local democracy. Good governance is imperative for the development of market economies and growing decentralisation.

Good Governance and LED

Institutional capacity in management and administration, and the role of politics in development, is often captured under the heading of governance. Governance is not government. Governance is a concept that recognises power both inside and outside the formal authority and institutions of government. Governance is the ability to coordinate and promote policies, projects and programmes that credibly represent a broad range of interests (e.g., government, the private sector and civil society). Public involvement, institutional development, transparency of decision-making procedures, interest representation, conflict resolution, limits of authority and leadership accountability are all issues of governance.\footnote{Frischtak, L. 1994.} UN-HABITAT defines governance as follows:

\textit{Governance is the sum of the many ways individuals and institutions, public and private, plan and manage the common affairs of a city or other local area. It is a continuing process through which conflicting or diverse interests may be accommodated and cooperative action can be taken. It includes formal institutions as well as informal arrangements and the social capital of citizens.}

Governance emphasizes “process.” In other words, how decisions are made between many actors with different priorities, given their complex
relationships. This is essential in creating a participatory-based LED. The main feature is the ability to address conflicting or diverse interests and seek out cooperative actions. Governance includes established institutions as well as informal social arrangements and networks. Good governance provides a foundation for citizens to use their talents to improve their social and economic conditions. It should enable women and men to access the benefits of citizenship. Good governance underpins LED. One critical link between the concepts of good governance and LED is the need to establish a business-enabling environment.

Business-enabling Environment

Although democratic systems offer the best chance for successful LED, the power of self-government derived through democratic means does not guarantee success. The foundation for success is capable institutions at the local level. Beyond the simple lack of capacity, expense (time and money) and over-regulation (complex regulations) are the devastating effects of cronyism, nepotism and corruption. Recent research suggests that strong and appropriate institutions are necessary and that they should pursue four concepts in LED.

- First, support for institutions and strategies should combine governance with culture. Having cultural foundations for institutions means that the local government is less likely to be a source of conflict and a vehicle for personal gain. In addition, local government is more likely to gain respect, legitimacy and acceptance from local citizens.
- Second, clear decision rules and procedures are needed in government, such as effective business codes and land-use zones that promote long-term plans rather than politically expedient, short-term decisions. These should be pro-market not pro-business or favouring a particular firm. Lack of a clear and stable economic “playing field” and lack of skilled managers can, at best, undermine efficiency, productivity and effective resource utilisation. At worst, it can lead to corruption, draining the local government of funds for individual political ends, and lead to the use of local government positions for personal advantage.
- Third, the political environment must be safe. Poor or corrupt economic policies and weak government systems can negatively affect local economic development by raising risks and increasing production costs. For example, risks and

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8 These benefits include adequate shelter, security of tenure, safe water, sanitation, a clean environment, health, education and nutrition, employment and public safety and mobility. For more, see: UN-HABITAT, Global Campaign on Urban Governance. www.unhabitat.org/campaigns/governance/


production costs are affected when investment opportunities and key government posts are given to unqualified friends and relatives of the political party in power; when bribes are extorted from businesses and entrepreneurs, holding them hostage to politicians; and when tax rates or regulations are uncertain and change with each new administration. The local government should establish a political environment in which investors and businesses – large or small, members or non-members of the local area – feel secure. Investment, and the jobs that accompany it, seek out risk-return ratios that are equal to, or better than, those in other places. For many investors, consistency, predictability and clarity of government policies and regulations are as important as a business environment with few restraints. Without a safe investment environment, local human and financial capital will migrate away from the local area, and outside investment will be difficult to attract.

Fourth, enabling environments should have a high ease of business entry and efficient regulation-enforcement. Research published in 2002 analysed the regulation of entry for start-up firms in 85 countries.¹¹ This research looked at the number of procedures an entrepreneur must go through to get a license to operate, how long it takes and how much it costs. For example, in Mozambique it takes 19 procedures, 149 business days and costs US$256. In Italy there are 16 procedures, it takes 62 business days and costs US$3,946. By contrast, in Canada the two procedures take two days and cost US$280. More recent work included analysis of other areas of business environment, such as contract enforcement and property rights.¹² For example, to enforce a contract in Tunisia requires seven days while in Guatemala this takes more than four years. In Ireland, resolving bankruptcy takes six months, but in India it is more than 11 years. Not surprisingly, researchers found that countries with heavy regulation and weak enforcement have higher rates of corruption, a larger informal economy, are less democratic and are more likely to be poor.

Inefficient business environments will impede businesses from starting up, expanding, modernising or surviving. Businesses and entrepreneurs in both the formal and informal economy need equitable access to capital, training and information in a clear regulatory environment that is culturally appropriate. Enabling environments are achieved by simplifying bureaucratic procedures, creating regulatory certainty (including property rights), pursuing broadly supported actions, encouraging local business net-

works and supporting training so that skilled workers are available to meet market demands. Lastly, enabling environments integrate the vast informal economy where potential is often untapped, or even undermined.

Simply put, for communities to be successful economically, the cost of doing business should not be higher than it needs to be, production should be as efficient as it can be, and quality should be equal to or better than what customers find elsewhere (see Action 1: Policy and Regulation; Actions 10-13: Entrepreneurs and Small Business Support; Action 15: Physical Infrastructure Investment, Action 28: Support for the Informal Economy). Good practice in local economic development suggests that focusing the use of public resources and government intervention (e.g., public spending, regulation, access to services) on improving the basic business environment in a way that will reach all levels of society (e.g., rather than supporting individual companies) is the most effective and beneficial way government can contribute to economic development.

LED strategy basics

If a business-enabling environment is established, the LED strategy should consider three kinds of economic opportunities for improving the local economy. First is to avoid capital flight from the local area, for example by avoiding imported goods if they are available locally. Second is to seek opportunities to attract capital into the local economy through activities such as agriculture, manufacturing and tourism – augmented by direct to market and fair trade policies. Third is to seek opportunities to keep capital that has entered the local economy circulating longer, for example, by encouraging activities that keep existing tourists in town longer or provide them with more/better opportunities to spend more of their money while in town. To pursue these strategies requires a comprehensive understanding of the local economy.

Competitive advantage and cooperation

The world is a competitive place. Therefore, understanding a local area’s competition and competitive advantage is important. Competitive advantage is the condition (e.g., a local area’s strengths, weaknesses, external threats and opportunities) that enables a local area to operate relatively more efficiently and effectively, resulting in benefits accruing to that local area. Although competition promotes efficiency and innovation, excessive competition for investment might cause all parties to lose and might further disadvantage already marginalised groups. With this understanding, it is logical that a competitive analysis will paint only part of the overall economic picture; understanding cooperation is also essential.

At the local level, current global trends suggest that the long-term sustainability of local economies, and sometimes their short-term economic
survival, depends on cooperating in this competitive world (see Case Reference 2). To avoid some of the damaging side affects of competition, local areas might want to work together through forums or by developing regional strategies that strengthen local production of all local areas, helping to insulate them from unnecessary competition (e.g., where traders or firms can play localities off against each other).

Case Reference 2: Local Economic Cooperation, South Africa

There is an ever-present motivation for local governments to undermine each other in a competitive quest for investment. Through the free market there are mechanisms and opportunities for local governments to act on this motivation. Typically, there are not the same motivations or mechanisms in place to foster cooperation, either formally or informally. Formal mechanisms might be the establishment of bodies that represent the collective concerns of local governments, eventually embedding these bodies in legislation (institutionalisation of local government cooperative bodies). Informal mechanisms might simply include bi-annual conferences or meetings of local governments. In either case, it takes organisation and effort to put these in place.

In South Africa, both formal and legal mechanisms have been developed. The South African Local Government Association (http://www.salga.net/) represents local government in the National Council of Provinces. In addition, regulatory statues have been put in place. Section 41(1) of the Constitution states that “all spheres of government and all organs of state within each sphere must ... cooperate with one another in mutual trust and good faith by ... assisting and supporting one another ... informing one another of, and consulting one another on, matters of common interest ... [and] coordinating their actions and legislation with one another.” The establishment of formal bodies that represent the collective concerns of the local governments increases cooperation between spheres of government.

Source: Local Government and Economic Development
A guide for Municipalities in South Africa

The “Total Economy”

Understanding the “total economy” is an important step in developing a LED strategy. Typically, the economy is solely viewed through the lenses of the formal economy as indicated in black in Figure 2. This is because the formal economy is measurable (tax receipts, business permits, employment numbers and other official statistics), easier to monitor and often has more powerful stakeholders. However, the formal economy is only a part of a larger
inter-linked “total economy” that includes the informal economy – those working in economically productive activities that are not formally measured (more detail on the informal economy in the following section). The lack of integration results in lost opportunity for development and for poverty reduction, as many of the poor operate in this sector. Market and non-market aspects then combine with varying degrees of legality to help draw the “total economy” picture. A simplified illustration of the “total economy” is shown in Figure 2 below.

With the exception of some illegal aspects (e.g., theft, illegal drug sales), non-formal or informal sectors typically receive little attention. This is especially true of activities that might make significant contributions to the economy, but are not income generating (e.g., domestic household work, subsistence farming, ecosystem services such as flood control). Each of the sectors identified in Figure 2 affect the economy and there might be aspects that should be included in a local economic development strategy. Legal activities require some official permit or registration procedure to operate. However, even within the legal system there is a continuum between legal and illegal. Legality of activities (legal, illegal or somewhere in-between) depends on the jurisdiction and the associated legal framework – specific standards and procedures – that allow economic activities to take place. In Figure 2, designations of non-legal and extra legal are used as descriptors to capture this continuum. For example, some activities might be considered illegal but are not actively enforced, opening the door for informal economy activities.

**Figure 2: Overview of the Total Economy**

- **Legal***
  - Reported
    - permitted, taxed business activity
  - Unreported
    - small scale, barter & cash exchange
  - The formal economy
  - The “grey” informal economy

- **Non-legal***
  - Unreported
    - The informal economy

- **Extra legal***
  - Unreported
    - shoeshine boys
  - Reported and Unreported
    - drug addiction

- **Illegal***
  - Unreported
    - The "grey" informal economy
  - Reported and Unreported
    - illegal drugs
  - Social aspects of the economy
  - Environment aspects of the economy

*Note that the division between legal, non-legal, extra-legal and illegal (especially in the informal economy and with issues like environmental pollution) varies from jurisdiction to jurisdiction. Legality depends on having the legal framework within which economic activities take place.*
Some non-market activities, such as environmental pollution, also might need to be considered as part of a LED strategy. To a certain level, pollution can be absorbed in the environment (e.g., air emissions from a factory) and is therefore left unregulated. Here, the environment performs an economic service that is not directly incorporated into the cost of doing business. However, pollution at some level might hamper economic development and limit opportunities (not to mention human health, social or ecological issues). A regulatory response could be appropriate as part of a LED strategy.

Similarly, there are social activities not recognised in the formal economy, but that help support the economy. For example, the economic contributions of a man or woman working at home to raise children, cook, clean and perform other domestic activities are not recognised as economic services supporting the market economy, whereas hiring a maid to clean a house, or a nanny to watch children is considered part of the market economy.

The Many Forms of Capital in LED

One way to frame thinking about LED is to consider a functioning and healthy local economy as encompassing four kinds of capital: social/human capital, financial capital, manufactured/physical capital, and natural capital (see Table 2). Capital is a useful concept because it can be acquired, exchanged, invested and converted into other forms. This dynamic way of thinking about LED keeps the focus on change, which is what strategic development is all about.

Table 2: Four Types of Capital – A framework for understanding a functioning economy

<table>
<thead>
<tr>
<th>Human and Social Capital</th>
<th>Leadership, Partnerships and Organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Building leadership skills in business, local government, and economic development.</td>
</tr>
<tr>
<td></td>
<td>Improving the partnerships, social networks &amp; norms, social trust and cultural integrity that facilitate coordination, reduce risks and cooperation for mutual benefit (e.g., economies of scale).</td>
</tr>
<tr>
<td>Knowledge and Information</td>
<td>Providing linkages and access to businesses, markets, economic, social and environmental information.</td>
</tr>
<tr>
<td>Skills, Competency and Innovation</td>
<td>Strengthening entrepreneurship, education, health and collaborative learning environments.</td>
</tr>
<tr>
<td></td>
<td>Building skills within the local population and attracting skilled labour to the local area.</td>
</tr>
<tr>
<td>Financial Capital</td>
<td>Financial</td>
</tr>
<tr>
<td></td>
<td>Improving access to, and use of, financial capital: credit, cash, investments, monetary instruments to all sectors – including informal and specific client groups (e.g., women).</td>
</tr>
</tbody>
</table>

**Table 2: (continued)**

<table>
<thead>
<tr>
<th>Physical Capital</th>
<th>Technology, Tools, Machines</th>
<th>Making better use of technology in business processes.</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Built Environment and Infrastructure</td>
<td>Improving land use and infrastructure (transport, shelter, energy, communications, and water systems) to support economic development.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Natural Capital</th>
<th>Resources</th>
<th>Clean water, arable land, forests, minerals, genetic diversity, energy resources and other natural resources.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Living Systems</td>
<td>Ecosystems that are resilient, self-regenerating and diverse provide the base for economic development and quality of life.</td>
<td></td>
</tr>
<tr>
<td>Ecosystem Services</td>
<td>Waste sinks, natural purification systems (e.g., air and water), water and flood protection through intact watersheds.</td>
<td></td>
</tr>
</tbody>
</table>

### Integrating Local Economic Development

Working with the four types of capital requires integration. From a local government perspective, this is done through the back-and-forth interaction between different plans, policies and regulations. Typically, citizens would like to see their government conduct a long-range “comprehensive” plan that identifies core values and a vision of the future. This long-range plan provides a general framework for participatory and collaborative decision-making (see Case Reference 3).

Under a long-range plan are many additional plans, such as official local area plans that address land use policies; corporate plans that outline organisational roles and responsibilities; environmental management plans; coastal resource management plans; park plans; health plans and, of course, LED (see Figure 3). Two mechanisms for integrating these plans in a LED process include having members of other departments (e.g., land planning) as part of a LED stakeholder group or a working group (discussed in Step 2), or using a referral system where memos and draft plans are circulated to different departments and reviewed while the LED process is ongoing.

**Figure 3: Integrating LED in the local government system**

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14 Concept adapted from the Canadian Urban Institute: http://www.canurb.com/
Case Reference 3: Partnerships and Integrated Planning for LED, Brazil

Ninety per cent of Brazilian municipalities dispose of their solid waste in open dumpsites.

Sao Bernardo do Campo, the hub of the Sao Paulo car industry area, was one of these municipalities until the city underwent a strategic planning process. In addition to the health and environmental issues, the local area recognised there were adverse economic impacts from the poor image attributed to the dumpsites. They also recognised potential business opportunities from collecting the waste. The Municipality formulated a strategy to organise cooperatives to collect garbage. A pilot project was implemented through a partnership with private sector businesses in Sao Bernardo. The immediate results included a 22 per cent real increase in the monthly incomes of the cooperative's workers in just two months, and a more desirable place to have a business. Integrating garbage collection with other objectives has led to more efficient waste management, which includes recycling and waste minimisation.

Globalisation and Poverty Reduction

Globalisation has changed the development landscape at every level of human organisation. Certainly at the local level, economic globalisation – the rapid spread of markets around the world and the coinciding expansion of economic linkages – is now a fundamental issue. On one hand, there is the potential opportunity from growing markets and increasing wealth. On the other, not everybody has been able to take advantage of the benefits, bringing the subsequent income inequalities and adverse impacts into sharp focus. Coincidently, there has not been a significant corresponding reduction in worldwide poverty, as millions of people across the globe endure lives of abject poverty. In fact, privatisation and restructuring of industries often aggravate near-term economic hardship with higher unemployment in both the public and private sectors.

Poverty is caused by many factors, and attributing the problem to globalisation can be seen as externalising a problem and limiting the options available. Just as market economics is not a zero-sum game (somebody has to lose for somebody to gain), we see alleviating poverty as more of a challenge in incorporating the poor in the development process. This manual encourages a pragmatic approach to addressing globalisation and poverty reduction through research into markets, fair trade, information sharing and responsive governments that incorporate participatory planning into the decision-making process.

Local Economic Development and Poverty Reduction

There is an emerging consensus that LED is critical to poverty reduction, but it cannot bring about effective change without explicit poverty alleviation strategies. At the strategic level, experience indicates that economic initiatives for poverty reduction are most effective and sustainable when they are also incorporated into a broader economic development strategy. Pro-poor strategies alone may not lead to the development (i.e., structural change) required to fundamentally alter the situation of the poor. These strategies have been criticised as being “survivalist” and caught in an endless cycle of crisis management. Best practice suggests that ensuring inclusive and participatory economic development, which provides for both broad local economic gains and poverty reduction, is paramount to achieving a requisite balance in economic development.

A central challenge from a LED perspective, therefore, is ensuring that those who have traditionally been left out have access to opportunities, that the marginalised poor are invited to actively participate in shaping their
local economy and, above all, that they have (or get the support to create) the organisational capacity to participate effectively.

Economic benefits have a good chance of reaching the poor simply by having explicit LED objectives that focus on poorer households and the informal economy. On the substantive side, with micro, small and medium-sized businesses typically generating most of the job growth worldwide, some of the greatest progress in poverty reduction at the local level has been in this area (for example, see Action 12: Skills Training; Action 13: Micro-Enterprise; Action 24: Micro-Credit). The poor, including more vulnerable groups like women, youth and those working in the informal economy, are typically accounted for in the micro-enterprise sector. As an example, micro-enterprise development is the core of the national LED framework in the Philippines. The Department of Investment and Trade in the Philippines claims: “The SME sector is the backbone of the Philippine economy. It comprises about 99.6% of all registered firms nationwide, employs 69.9% of the labour force, and contributes 32% to the economy”(see Case Reference 4).

In addition to LED, poverty reduction strategies might also include programmes for housing, health, education and other social support. For example, sustaining economic initiatives might be impossible in an informal or “squatter” settlement where there is no secure tenure, residents experience regular harassment and face a constant threat of eviction. As a component of a broader poverty reduction plan, LED can be a significant contributor.

**Case Reference 4: National Support for LED – Micro-Businesses Enterprise Act, Philippines**

In 2002, the government of the Philippines enacted the Barangay [town] Micro Business Enterprises (BMBEs) Act. This act seeks to promote a business-enabling environment for micro-enterprises and states: “As much as possible, BMBEs shall be subject to minimal bureaucratic requirements and reasonable fees and charges.” This includes exemptions from many taxes, fees, and minimum wage laws. It also includes a range of micro-small business support: Market development and access, Skills development, Access to capital, Credit delivery, Technology transfer, Production and management training, Marketing assistance and Trade and investment promotion.

*Philippines Department of Trade and Industry: http://www.dti.gov.ph.*

**The Formal Economy and Poverty Reduction.**

A typical LED strategy is designed to create a stable and self-sufficient local economy through the establishment and retention of local businesses, and job creation. This can be achieved through foreign and domestic direct investment, infrastructure development, import replacement, or other activities that are traditionally focused on the formal economy. To address poverty
reduction, these activities should focus on the poor. Specific actions might include targeting businesses or sectors with a high demand for low to medium levels of skilled labour while also targeting the poor as an unskilled labour force for training and placement assistance (See Case Reference 5) – attacking the problem on both the demand and supply fronts. In fact, the poor might provide one aspect of a local area’s competitive advantage (labour or traditional goods) that can be promoted through education and training. Although substantial progress can be made within the formal economy, attention should also be given to the grassroots level in the informal economy to help alleviate poverty (see Action 15: Physical Infrastructure Investment, Action 27: Promoting Foreign Direct Investment, and Action 28: Support of the Informal Sector in Volume 4: Action Guide).

Case Reference 5: Business Development to Reduce Poverty and Unemployment, Togo

In Togo, poverty has led to more creative ways of developing employment opportunities. AVEBETO, a non-governmental agency is working to address the situation of unemployment by advocating and training young people to become entrepreneurs. Students are encouraged to brainstorm on various business ideas and to start a business before the end of their training. In 1988 and 1998, nearly 10,000 university and college graduates were trained and about 70 per cent of them manage their own businesses today. This programme has been replicated in other countries in Africa.

Source: UN-HABITAT Best Practice Database
http://www.bestpractices.org/

The Informal Economy and Poverty Reduction

For communities facing increasing poverty, part of their economic development strategy might need to focus on the informal economy. The informal economy consists of small or independent self-employed businesses that are outside the governance system of regulation, are not part of any representative structure, and have no financial or support services. They operate with little to no capital, have low productivity, provide little job security or rights, and usually offer low, irregular income. Those that work in the informal econ-

Training Resource Link 3

ILO’s Small Enterprise Development or SEED

The main training program of SEED is “The Start & Improve Your Business” (SIYB) program. It is a management-training initiative with a focus on starting and improving small businesses as a strategy for creating more and better employment in developing economies and economies in transition.

Visit the ILO at: www.ilo.org

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16 Much of the information in this section is based on The International Labour Organisation (ILO) Course Guide (see Resource Training Link 4).
Poverty typically have little or no social or public assistance support and are outside labour and workplace health and safety legislation. Research indicates that women and children are disproportionately involved in the informal economy and are highly vulnerable to abuse and exploitation in the workplace. For these reasons, job quality, or having decent work, is very important in the informal economy. Informal economic activity is not usually measured or monitored. It receives little attention from authorities, except for some enforcement of illegal activities.

Examples of informal economy jobs include shoe-shiners, watch-your-car boys, snack vendors, pedicab drivers, street vendors of all kinds, small-scale artisans, construction workers, household servants, and urban fishers and farmers. Some informal jobs might be considered socially damaging, or illegal, such as child labour (or worse, child prostitution). Other jobs include many home-based activities closely linked through “outsourcing” to the formal economy, such as computer and tele-communications related work or light manufacturing in the garment industry. Second jobs, or “moon-lighting,” in unregistered activities to supplement income are also considered as part of the informal economy. Some principle causes of growth in the informal economy include the following:

- slow growth in the formal economy;
- complicated and bureaucratic procedures for business (e.g., too expensive, time-consuming, or impossible without the right connections to get necessary permits, etc.);
- unemployment due to a lack of skills for available jobs (e.g., literacy);
- urban migration of unskilled workers, caused by increased agricultural productivity leading to fewer agricultural jobs and population pressure on available land;
- ease of escaping the local regulatory process and taxation;
- layoffs from increasing competitiveness of the international economy;
- inadequate rural and urban development programmes;
- layoffs from economic and financial shocks or crisis (political instability, dis-investments);
- falling real wages due to inflation;
- income supplementing; and
- growth of a tourism industry that supports small-scale entrepreneurs (artisans, tourism guides).

It is important for local authorities to recognise the contribution of the informal economy to the overall economy. Formalising the informal economy might be a long-term goal for health and safety reasons, better public management, or increased revenues through taxation, to name a few. However, the formal economy needs to be developed to a point where it can absorb the people currently engaged in the informal economy; otherwise, attempts to regulate the informal economy can simply lead to more poverty and marginalisation. Rather than regulation and suppression, local authori-
ties can look for strategies that tolerate and support the informal economy while seeking to strengthen the skills and resources of people engaged in the informal economy (see Case Reference 6). Groups like the International Labour Organisation (ILO) have developed processes to specifically address the challenges and complexities of formalising the informal economy (see Training Resource Link 4).

**Training Resource Link 4**

The International Labour Organisation (ILO) Course Guide on Local Employment in the Informal Economy.

The purpose of this 2001 guide is to increase the awareness of local actors (local authority officers, local area organisations, informal and formal sector associations) of the important role played by the informal economy. It also seeks to improve the performance of small informal enterprises and their capacity to provide decent employment. The course guide can be found at:

http://www.ilo.org/seed/ppp

Also see:


The strategic planning process for local economic development described in this manual suggests that the local informal economy be understood and included in LED. Strategies for effectively including the informal economy in a local economic development strategy include: understanding the advantages and disadvantages of regulating the informal economy; improving capacity skills; improving work conditions; and, identifying financing opportunities. After all, the informal economy probably contains some of the most entrepreneurial people in a given area. Tapping into their energy and innovation can help move communities away from poverty and economic stagnation (see Action 11: Skills Training Center; Action 24: Micro Credit; Action 28: Support for the informal economy).
Despite these opportunities for poverty reduction, some local governments might hesitate to attack poverty on their own for fear that a successful programme will attract more poor from other areas. However, hesitation is typically neither economically responsible nor socially desirable (e.g., waiting for a coordinated approach led by the national government). Local governments might want to develop a duel strategy of addressing local poverty issues while working with other local authorities and higher levels of government to develop more comprehensive approaches.

**Case Reference 6: Tolerance Policy and the Informal economy in Naga City, Philippines**

Many of the poor in Naga City, Cebu, work in the informal economy as street vendors. In the 1980s, the local government was very hostile to their activities and their stalls were regularly demolished. In 1984, they began to organise to provide a united front against the demolitions and formed The Cebu City United Vendors Association. The Association currently has about 5,000 members (75 per cent are women), approximately 5 per cent of the informal economy. Strategy and negotiation soon eclipsed simple resistance and eventually city authorities established a study committee. The result of this activity was a policy known as “maximum tolerance,” where demolitions would not be considered unless other road users made a complaint. While street vending has become more acceptable over the last 10 years, the situation is far from resolved and is undermined by leadership struggles within the vendor organisations themselves. Last year a technical working committee was established to recommend new practices. Despite the challenges, progress is being made and the difficulties of organising the informal economy have resulted in benefits for the vendors and consumers in Naga City.

*Devas, N. Urban Governance and Poverty. Lessons from a Study of Ten Cities in the South. 2001. IDD School of Public Policy. The University of Birmingham. United Kingdom.*
Children, Youth, Women and LED

Children and LED

Children, girls and boys under the age of 18, might require special attention in a LED strategy. Although not often recognised for their economic impact, they form a significant part of the entrepreneurs and workforce in developing countries, and over 50 per cent of the population in some countries (see Training Resource Link 5). The International Labour Organisation estimates that more than 250 million children work worldwide. They run micro-businesses (e.g., they are street vendors, shoe shiners, tour guides), and work for the private sector in factories, shops, and farms. They contribute to the survival of their families and to the economic growth of their countries, yet are often invisible to development agencies and governments that wish to support the local private sector. Some international organisations, including the Canadian International Development Agency, argue that seeking to ban all child labour does not reflect the reality of life in developing countries. Rather, by encouraging local economic development, stakeholders should be aware of the potentially harmful, dangerous or exploitative forms of child labour. The growing awareness of the need to address, in an integrated manner, poverty, homelessness, unemployment, lack of basic services and the exclusion of women and children, is encouraging – and opportunities in LED are significant.

Youth and LED

According to the United Nations, the number of youth aged between 15-24 is expected to reach 1.8 billion by 2010, with 1.5 billion of them living in developing countries. In addition, the youth make up 41 per cent of the world’s unemployed. These two facts suggest that, with the future at stake, youth offer some of the greatest opportunities for finding solutions, while posing a significant challenge to local economic development (see Training Resource Link 5). Youth, like women and other marginalised groups, are particularly vulnerable to shocks in the labour market, layoffs, restructuring and insufficient opportunities. Patterns set at an early age carry over in future years and on to future generations. With, urban violence, HIV transmission and a growing participation of youth in the military, investing in youth has stabilising societal benefits and yields returns far beyond narrow economic reforms.

Women and LED

A focus on women in LED can provide significant benefits to the local economy and, more importantly, to the general social fabric of the community. Research has demonstrated that women are more likely than men to spend earnings on the well-being of their children and families (e.g. food, education).\(^\text{19}\) Furthermore, incorporating women (or focusing on women) in LED is important because they play a larger role in the market economy while facing many unique challenges. Women’s participation in the paid workforce, in both the formal and informal economies, has grown dramatically over the last 40 years.

Over the past 20 years, this growth has coincided with an increase in female-headed households. Much of this is due to transitional pressure of change accompanying economic restructuring and globalisation, including the growing importance of women’s contributions to household income. Of great concern regarding these trends is that female-headed households are more economically vulnerable. Much of the growth in paid employment for women has been in insecure, low-income and part-time work, often in the informal economy. Without positive change, the concentration of women in types of businesses that have minimal barriers for entry, but which might already be saturated or have limited returns, will likely continue.\(^\text{20}\)

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\(^\text{19}\) ILO, 1995.
\(^\text{20}\) Kantor, P. 2000.
Planning LED strategies that focus on women should take into account their unique situation. Today, women still dominate the management of domestic household affairs and child rearing. Therefore, part-time work or work that can be done at or near home may be more appropriate. Additionally, LED planning might need to address cultural or social perceptions of gender roles that might prevent women from accessing male-dominated industries that are generally better paying than female-dominated ones. Finally, LED strategies can help address the results of recent research that indicate women are more vulnerable to exploitation, sexual or otherwise, in the workplace; that women often lack self-confidence, which can hold them back from higher paying jobs or business expansion; and that women lack adequate access to financing, education and skills training. Supporting women as small business owners in a LED strategy is another avenue for improving the local economy. Gender equality is a development goal in its own right, but recent research suggests that closing the gender gap also promotes economic growth for a society as a whole. As such, despite the challenges of including what is often a fragmented and unorganised group, LED strategies that take into account women’s needs and ensure that women are included in the stakeholder process have a higher chance of success (see Action 12: Skills Training Center – especially Women’s Empowerment Programme (WEP), Nepal; Action 24: Micro Credit; Action 28: Support for the informal economy).

Case Reference 8: Poverty reduction among women through vocational training and micro-credit, Uzbekistan

In Uzbekistan, the level of female unemployment is much higher than that of the males (62 per cent). Women are concentrated in the lower paying sector and earn 70 per cent of typical male wages. The low level of self-employment is caused by lack of necessary skills and knowledge, limited access to credit for women (15 per cent) and low participation in establishment of new enterprises. To improve the situation the Business Woman’s Association, an non-governmental organisation (NGO), launched the Integrated Programme on Poverty reduction among women through vocational training and micro-financing programmes in rural areas in Uzbekistan. The initiative impacted positively on the economic situation of the country, raised women’s economic role and status, overcoming gender barriers and provided them equal access to financial sources through a micro credit programme.

Source: UN-HABITAT Best Practice Database: http://www.bestpractices.org/

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Finding a Balance

With renewed focus at the local level, LED strategies can help achieve more coordinated and efficient economic growth, while working to protect environmental resources and promote social and cultural values. Participatory strategic planning moves LED towards this balance, by seeking long-term, win-win solutions, striving for better information-sharing, and promoting greater transparency (see Figure 4 below). That does not mean that LED decision-making will be easy. Priorities should be identified and trade-offs made, but there are tools to help in these areas that will lead to more informed choices and more balanced, sustainable development.

Figure 4: Seeking Balanced Local Economic Development

- Complex legislation
- Cumbersome bureaucracy
- Corruption
- Lack of transparent governance
- Little or no participation
- Weak interaction with society

- Low, unstable incomes
- Scarce job opportunities
- Lack of skills
- Restrictive business environment
- Limited access to credit
- Constrains in access to markets

- Gender inequities
- Crime and insecurity
- Inadequate health facilities
- Insufficient education opportunities etc.

- Lack of water, electricity
- Insufficient communication
- Chaotic transport systems
- Unhealthy environment (air, water pollution)
- Crowded habitat
Prerequisites For Planning a Successful LED Strategy

Twenty important components to a successful LED strategy are highlighted below.  

Table 3: A successful LED strategy will...

<table>
<thead>
<tr>
<th>Procedural Issues</th>
<th>Substantive Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Have political will</td>
<td>9. Get visible results and use demonstration projects</td>
</tr>
<tr>
<td>Active leadership from local government is important – for legitimacy of the final strategy (e.g., through an accountable government body) and for substantive contributions (e.g., infrastructure, regulation).</td>
<td>A LED process should have the means to move quickly from abstract ideas and principles to visible changes in people’s lives. Early Visible results early help maintain momentum and interest in the process by showing action on the ground.</td>
</tr>
<tr>
<td>2. Get commitment</td>
<td>10. Understand markets (local, regional, global)</td>
</tr>
<tr>
<td>Commitment from all key stakeholders, as well as a mechanism for involving them early in LED decision-making. Local people, especially local business people, have a vested interest and can make the strategy successful.</td>
<td>Realise limitations of the local economy, look for ways to tie into the regional economy and understand opportunities and threats of the global economy. Make this information available to everyone.</td>
</tr>
<tr>
<td>3. Include the informal economy</td>
<td>11. Balance strategies</td>
</tr>
<tr>
<td>This includes under-represented groups, particularly the poor and women, and might require capacity-building.</td>
<td>Balance between improving local economic efficiencies (e.g., by clustering) and establishing economic resilience (e.g., by diversification).</td>
</tr>
<tr>
<td>4. Use strategic thinking</td>
<td>12. Think about quality</td>
</tr>
<tr>
<td>Emergencies, grant chasing, fads or attempts to “pick the big winner” should not drive LED. Use strategic thinking to escape crisis cycles.</td>
<td>Sustainable development is based on quality of development, not simply the quantity of economic expansion. For instance, think about the type of local jobs and working conditions created, not simply the number of jobs created.</td>
</tr>
<tr>
<td>5. Evaluate the pros and cons</td>
<td>13. Invest in infrastructure “soft” as well as “hard”</td>
</tr>
<tr>
<td>Think about strategy options, benefits and costs, then identify ways to mitigate or avoid negative impacts.</td>
<td>Human capital, such as training people, and social capital such as capable associations and organisations, are central to LED success. Hard infrastructure might make the difference between a successful strategy and one that struggles.</td>
</tr>
<tr>
<td>6. Integrate, network and link</td>
<td></td>
</tr>
<tr>
<td>These are the core of a LED process: between people (e.g., partnerships) spatial linkages (e.g., urban-rural) and sectors (e.g., health, environment, law and justice, education).</td>
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</tr>
<tr>
<td>7. Incorporate accountability and transparency</td>
<td></td>
</tr>
<tr>
<td>All managers and partners must be able to see how decisions are made and be held accountable.</td>
<td></td>
</tr>
<tr>
<td>8. Incorporate culture</td>
<td></td>
</tr>
<tr>
<td>Adapt tools, processes and results to local culture. Combine governance with culture to gain legitimacy, respect an acceptance.</td>
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</tr>
</tbody>
</table>

Adapted from partner input, World Bank LED Primer 2003; KPEL, 2002; and Hawken, P. et al. 1999.
<table>
<thead>
<tr>
<th>Substantive Issues</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>14. Incorporate natural capital</td>
<td>Although it might have little or no market value, natural capital is essential to successful LED (e.g., water purification provided by a healthy watershed).</td>
</tr>
<tr>
<td>15. Leverage private investment for public good</td>
<td>Leverage investment to improve the quality of life and security for citizens – which also attracts and retains investment.</td>
</tr>
<tr>
<td>16. Establish clear decision rules and procedures (a safe and stable “playing field”)</td>
<td>Social capital in the form of progressive legal frameworks and efficient regulatory systems that promote mutual (avoid corruption) trust are critical. These are as important as a business environment with few restraints.</td>
</tr>
<tr>
<td>17 Ease of business entry and efficient regulation-enforcement</td>
<td>Places with difficult business start-up, heavy regulation and weak enforcement have higher rates of corruption, a larger informal economy, are less democratic and are more likely to be poor.</td>
</tr>
<tr>
<td>18. Plug leaks / Increase multipliers</td>
<td>Seek ways to keep money re-circulating in the local economy (i.e., finance more local investment) and maximise local resources (add value to local products).</td>
</tr>
<tr>
<td>19. Encourage local business enterprise development</td>
<td>Locally owned business enterprises tend to be more responsive to local values and keep money circulating in the local economy longer. However, care must be made taken to avoid unnecessary protection of uncompetitive local businesses.</td>
</tr>
<tr>
<td>20. Attract compatible new businesses</td>
<td>Seek new businesses that can contribute to the local economy (e.g., supply needed capital or technology) and are compatible with local values.</td>
</tr>
</tbody>
</table>
Overview: Case Study of Horezu, Romania

The administrative district of Horezu, Romania, has a population of approximately 7,000 living in an area that is 118 square kilometres. Valleys, terraces and hills define the territory. Most of it is covered by forests (56%) as it reaches northward towards the peaks of the Capatânii Mountains, in the Southern Carpathian Range. The rest of the district is pasture (29%), urban or other land use. The climate is generally cool with annual average temperatures of six degrees Celsius and abundant precipitation (800–1000 mm/year). The administrative territory includes seven towns and villages, including the town of Horezu. All settlements are grouped in the southern part of the territory.

Horezu is reputed as an ethnographic centre and as an age-old folk ceramics centre. Traditional occupations include fruit-growing, animal breeding (bovines, goats, and sheep), ceramics, and wood-processing industry. Horezu is also a traditional commercial centre; a market area is located in the town for farming products and (household) utilities exchange. Finally, the name of Horezu is linked with the Monastery of Hurez, which is a monastic complex erected at the end of the XVII-th century, and which is short listed in the UN World Heritage Site.

Like other countries in Eastern Europe, Romania is in transition from a centralised economy to market economy. In Horezu, during the centralised economy of the second half of the 1900s, the town was a local products processing centre, as a result of investments made in several branches of furniture, food industries and textiles. After 1990, during the process of transition to a market economy, industrial and constructions activities witnessed a significant regress epitomised by the closing of a local textile factory. Many of the citizens went back to their traditional work to survive and the current town economy is dependent on these traditional activities as well as trade and tourist activities.

Before undertaking the strategic planning process described in this manual, the predominant concept of local economic development was to pursue external capital to rejuvenate the defunct textile factory that had supplied much of the economic life-blood under the central strategy. As you will learn, the strategic planning process not only changed that approach. It also changed the mindset of the that call Horezu home, empowering them to do what is possible today to create the future they want for tomorrow.
Module One: Where are we now?

Step 1: Getting Started – “Planning to Plan” and Defining the Question
Step 2: Stakeholders and Participation
Step 3: Situation Analysis

Overview

For a process to be successful, it should contain a clear idea of what will happen, the organisational capacity to pull it off, involvement of the key stakeholders and a thorough understanding of the situation.
Step 1: Getting Started

Learning Objectives

❑ Understand why pre-planning and organisation are important and how to do it
❑ Understand the role of defining the planning question and scoping the problem

“Planning to Plan:” Organisational and Leadership Capacity

The very first step in planning for the future is to decide whether or not a strategic approach to local economic development as outlined in this manual is going to be taken at all. Strategic planning moves beyond ad-hoc decision-making and allows a local area to both create and respond to economic challenges and opportunities. Yet, it requires desire, a sustained level of commitment, the dedication of resources and the opening up of the planning process to involve stakeholders in the local area. It also requires organisational and institutional capability. The five tasks below outline how to prepare for the process:

Task 1: Get organised, get commitment and build trust
Task 2: Form a core planning team
Task 3: Determine where the “local” is in the LED process
Task 4: Determine organisational capacity and if outside help is needed
Task 5: Plan the planning process
Task 6: Define the LED planning question/challenge

Task 1: Get Organised, Get Commitment and Build Trust

Without coordination, organisation, respected leadership and commitment from stakeholders, a strategic planning process can stall before it starts (see Tool 1a). Participants in field-testing stress the need to “sell” the idea of strategic planning for LED to senior officials, politicians and other key stakeholders. Securing support from local leaders – even if they do not personally attend – is important. This requires educating the local leaders, both formal and informal, about the process and about LED well ahead of actually initiating the process. This will help lay the social foundation for future success. A local champion from the community, perhaps working with outside facilitators, is needed. During this step, it is important to begin building problem-
solving relationships among the key stakeholders. To help assess what
should be done, consider the following questions:

**Who is going to lead the effort?**

- If a local government is going to initiate the process, which
departments will be involved?
- Perhaps the office of the mayor is going to create and appoint
a special task force. If so, who will head this? What power will
they have? What is their mandate?

**Who should be invited to help get the process going?**

- Are other staff from different departments, such as health,
environment or law enforcement, going to be involved (they
should be) and how?
- Are there other key stakeholders who should help in the
initiation process?

As indicated through the questions above, any number of institu-
tions or organisations might coordinate the local economic development
process – sometimes this institution is the local authority through the
Mayor’s office, the Economic Development Department or the Planning
Department. It might also be the Chamber of Commerce, a business associ-
ation or a non-governmental organisation that has identified the need for
change in support of local economic development.

Regardless of who initiates process, new structures or mechanisms
might need to be created to bring together the necessary resources required
to direct, plan, finance and implement desired changes. These new struc-
tures can range from statutory committees and councils with long-term plan-
ning mandates to round tables and forums with specific, limited-term
mandates.

**Task 2: Form a core planning team**

Often, a core group is established before the actual planning work begins,
with a designated leader responsible for its progress. Even if outside help has
been brought in, it is a good idea to notify and seek commitment from key
players in the government and the local area, such as council members,
department heads and staff, and outside organisations’ board members. This
will set the process on a positive path and get early commitment before actual
issues are discussed. It will promote cooperation and coordination that will
help the process succeed.
Task 3: Determine where the “Local” is in LED, and expand core team if needed

Defining the “local” area for local economic development planning is a pragmatic exercise that should be done at the beginning of the process and should be based on common linkages and mutual constraints. The local area can be defined by a combination of factors that typically include:

- economic (production patterns, processing chains, business services);
- market (market areas, commercial linkages, urban-rural links);
- political (voting, administrative and decision-making jurisdictions);
- socio-cultural (shared value/belief systems, stakeholder relationships);
- communication and built environment (neighbourhoods, communication networks, building patterns, transportation); and
- biogeographic (topography, watersheds).

As the process of strategic development is similar at all levels, common sense based on these criteria is the best guide in defining “local.” These areas could be a territorially based province, district, city, town or a neighbourhood. For many LED processes, political jurisdictions at the local government level are the most appropriate for conducting planning, because the local government is often a core actor in the process and carries with it the accountability and legitimacy of a democratically elected body. However, communities formed by common causes, sectors (e.g., tourism, agriculture, retail) or social networks might also want to initiate LED processes that are nested within or transcend predefined political boundaries, or ongoing LED strategies.

Although LED is, by definition, a local activity, in today’s world, local development cannot be fully examined or treated as a closed system. With greater specialisation and integration of the economy, the distinction between rural-urban and local-regional is increasingly blurred as the provision of basic services, movement of labour, and access to markets for goods and services become more interconnected. Therefore, no matter what is defined as “local,” the broader context needs to be examined. Once the local area is defined, expand your core group as needed.

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24 The ILO uses the term “territory” when the LED is discussed in general, non-country specific terms. A well-defined territory favours a common vision on the realization of development objectives.
Task 4: Determine organisational capacity and if outside help is needed

The initial issues discussed above need to be worked out by the lead organisation, the initiator or facilitator. After consideration of these initial questions, the lead organisation should determine its own capacity to implement the process. For reasons of capacity or to provide objectivity, it might want to hire someone with specific expertise to help get the process going and who will work with the staff responsible for running the process. Another option is to involve someone with outside expertise to facilitate not only the first stages of the process, but also to provide objective support throughout the planning process (see Tool 1b).

The importance of the process leader or facilitator

It is important to recognise that the process of planning for LED requires agreement and cooperation among a wide range of stakeholders who might profoundly disagree on a number of key issues. If a structured group decision process is attempted under circumstances of hostility and disrespect, the results can be alienation and confusion leading, at best, failure at worst.

The role of the facilitator is critical as the purpose of the facilitator is to create an environment for constructive and cooperative interaction between stakeholders and to maximise productivity of group work and participation. In face-to-face training sessions, meetings and other local area decision-making activities, the facilitator can help stakeholders involved in a local area economic development planning process move towards agreement and commitment. The facilitator performs three main functions in the decision-making process: 1) assists the group to establish rules and procedures for the process, 2) ensures that communication between stakeholders is effective and fair, and 3) maintains progress towards the group’s agreed-upon objectives.

Opinions differ about who should serve as a facilitator. Often, a facilitator is chosen who has no stake in the process outcomes, to help ensure that she or he is not advancing her or his own interests. A facilitator external to the planning area might be better qualified to handle powerful or outspoken individuals, encourage the more marginalised groups to actively participate in the process and be positioned to interpret the views and opinions expressed by participants. Because much of the success or failure of a LED process depends on the skills of the individual(s) managing or facilitating the process, sufficient resources are needed for training staff or finding a skilled person to undertake this responsibility.

To assist the facilitator, the ToolKit document provides facilitation tools and methods specific for a LED planning process. Of course, these will need to be adapted to the local context and culture.

Avery, Auvine, Streibel and Weiss, 1981.
Task 5: Plan the planning process

It is important to be clear about the planning scope, planning process logistics, planning objectives and expected results before getting started. It would be a waste of valuable staff and stakeholder time to initiate a process without sufficient resources to see it through – or the political and organisational support to ensure that the strategy has a chance at being implemented. The following questions were developed to help design the process:

Example 1: Hypothetical Flow Diagram for a One-Year LED Process
What are the anticipated key process constraints?

- What should be the general scope?
- What are the planning time frames?
- What resources will be needed – staff time, money, effort, skills?
- Where is funding for the process going to come from?
- Are there funding sources for technical support or doing small visible projects?

Remember that every issue does not have to be addressed in the initial LED planning process. The results of the initial process will very likely lead to a small visible project on the ground as well as other processes (e.g., a process that specifically focuses on the informal economy, on clusters, or on urban-rural linkages). It is better to engage in a modest planning exercise than to attempt something that is too ambitious, and either “die in process” or never be implemented. Example 1 shows a hypothetical flow diagram for a one-year process. However, each process will have different time requirements for each step. To help determine the scope of LED, the partnership group might want to conduct an initial assessment (see Tool 1d). Some important questions to consider are listed below:

Note: Please keep in mind that the questions below are about the local economic development process, NOT about the local economic development itself:

- What cultural issues should be considered (e.g., time of year, festival and holiday conflicts, specific communication methods, potential conflicts with religious events)?
- How will decisions be made and implemented?
- Who are the ultimate client(s) to whom the core group (and facilitator) is responsible?
- What is expected to be achieved (e.g., a written and agreed-upon plan of action)?
- What will happen to the results?
- What are the logistical and human resources challenges and opportunities of the local context (e.g., travel time of key stakeholders, interest level of key stakeholders, financial issues, deadlines, political issues, communication issues, location of meetings, conflicts with other processes, and bad experience of stakeholders with previous planning processes)?

Finally, anticipate the interaction between actors in the process, the facilitator and experts, key stakeholders and the public. Typically, these actors and the information they bring to the process will fluctuate. Facilitators and experts are expected to take large amounts of data and activity from research and public participation and structure it in a way that is concise, accurate and manageable. This will help facilitate the process by clarifying the key issues and keep interest and buy-in transparency high; see Figure 5 overleaf.
Figure 5: Strategic planning, participation and information\textsuperscript{26}

<table>
<thead>
<tr>
<th>Where are we now?</th>
<th>Where do we want to go?</th>
<th>How do we get there?</th>
<th>Have we arrived?</th>
</tr>
</thead>
</table>

LEGEND: ○ Facilitators and Experts □ Key stakeholders ○ Community

Information and activity
Quantity and level of organization

Task 6: Define the LED planning question

The next task involves outlining the planning challenge for local economic development. It is a good idea to develop this planning question before the process begins, knowing that it might be revisited and adjusted as new information and ideas are generated.

Understanding the “triggering event” for the LED process often helps form the planning question.\textsuperscript{27} Often, the triggering event is a crisis that might come in the form of growing poverty or the collapse of a natural-resource-based industry. Ask yourselves: What triggered the need for a LED strategy? Why is LED being considered at all? The trigger for the process should be well understood to keep things focused (see Tool 1e). Typically, a strategic approach will look at the big picture and then focus down. Asking a question that addresses core problems can give economic development planning more leverage. For example, rather than asking: “How can we formalise the informal economy?” a better place to start might be to explore the broader problem of poverty by asking: “How can economic development contribute to poverty reduction?”

\textsuperscript{26} Adapted from pers. comm. Nicole Rata, FPDL Romania. June 2004.

\textsuperscript{27} For more detail, see: UN-HABITAT’s Participatory Planning manual by Fred Fisher. Part of their Building Bridges series: www.unhabitat.org
### Step 1: Review Checklist

<table>
<thead>
<tr>
<th>Getting Started and Defining the Question</th>
<th>✔</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is there organisation and leadership to support the process and prepare the plan?</td>
<td>✔</td>
</tr>
<tr>
<td>Is there commitment to complete and implement the plan?</td>
<td>✔</td>
</tr>
<tr>
<td>Has a core team been formed and/or the individual responsible identified?</td>
<td>✔</td>
</tr>
<tr>
<td>Is outside expertise required? If so, has it been retained?</td>
<td>✔</td>
</tr>
<tr>
<td>Are resources secured – funding, time, human resources?</td>
<td>✔</td>
</tr>
<tr>
<td>Is the scope established?</td>
<td>✔</td>
</tr>
<tr>
<td>Have constraints, strengths, weaknesses, opportunities and threats to the planning process been identified and addressed?</td>
<td>✔</td>
</tr>
<tr>
<td>Has a culturally sensitive process been identified?</td>
<td>✔</td>
</tr>
<tr>
<td>Has a good problem question been formulated?</td>
<td>✔</td>
</tr>
</tbody>
</table>

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### Step 1: Getting Started in Horezu

**Task 1: Get organised, get commitment and build trust**

Horezu was opportunistically identified as a possible field testing location by the FPDL, as they had a local contact who could act as a “change agent” and the municipal government expressed interest in undertaking this new approach. Preliminary assessment also suggested that Horezu could benefit greatly from undertaking such a process. Never having undertaken a formal participatory planning process at the local level, the first month was a period of getting broader buy-in from elected officials and local leaders, building trust between all the stakeholders and the facilitator and transferring basic knowledge about both strategic planning and local economic development to these groups. Local champions were identified and the support of Mayor was secured.

**Task 2: Form a core planning team**

A core group was then formed which included FPDL expert trainers, municipal officials/staff (vice mayor, councillors, head of the tax department, head of the planning department), and local leaders (local bank executive, local high school official, local television executive). This group would act as the local catalysts for change. They were provided with more detailed training on

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**Case Study:** Horezu Romania
participatory strategic planning and local economic development and were responsible for the “plan to plan.”

Task 3: Determine where the “Local” is in LED, expand core team as needed

Although the economic and market boundaries exceeded the local administrative boundaries, the core group agreed that because this was a new process, starting small in an area that they had jurisdiction over and could achieve visible gains quickly was the most pragmatic way to identify the local area. The administrative district of Horezu was identified as the local area and the core group did not need to be expanded.

Task 4: Determine organisational capacity and if outside help is needed

As Horezu had never undertaken a participatory process, it was agreed that FPDLC expert assistance would be an essential factor to generating and implementing a successful LED strategy.

Task 5: Plan the planning process

A two-month plan was developed with the core group. First, a stakeholder analysis would be conducted, followed by broader participation by local citizens and the business community. At the same time, a situation assessment would be undertaken. The main activity of the planning stage would be a three-day LED planning conference in April 2004.

Task 6: Define the LED planning question/challenge

The main LED challenge that was identified was: What can Horezu do to become economically sustainable, faced with the challenge of transitioning from a centralised “command and control” economy to a market oriented economy in a democratic society.
Step 1: USER NOTES...
Step 2: Stakeholders and Participation

Learning Objectives

- To understand why participation in planning is critical to realising local economic development objectives
- To understand how participation can be integrated into the planning process

What is a Participatory Approach?

A participatory approach involves including different stakeholders so that their views, concerns and issues can be included in the planning process. Stakeholders are interested, affected, and influential individuals, organisations, governments or agencies with a stake in, or influence on, the planning outcome. Stakeholders may be determined by:

- their stake in the issues (e.g., the urban poor, policy proponents such as environmental NGOs);
- their formal position (e.g., government authority);
- their control over relevant resources (e.g., money, expertise), and
- their power to promote, hinder or block implementation (e.g., activist groups, lobby groups, implementing agencies).

Better Planning

Simply put, involving local-area stakeholders and members in planning for economic development early in the process will provide better, more durable results. Bringing together people and interests from within and outside the local area involves considering the different values of each group. Although

Consensus and Process

While consensus might be a desired outcome, making it a process requirement might limit progress, giving a veto to all participants.

It might be worthwhile to consider strategy options for moving past roadblocks (e.g., agreeing to disagree, voting), and alternative definitions of consensus (see Tool 6c).
conflicting and contradictory values are inevitable, a well-structured process can result in a consensus agreement upon a common strategy.

A participatory planning approach is a powerful way to raise questions, discuss issues, set priorities, anticipate and mitigate potentially negative impacts of change, build relationships and engage local area groups in the development and implementation of local economic development plans. Making sure the right people are involved in the planning process from the beginning is an essential first step to creating a successful plan. By doing this, ideas can be generated and a plan developed that integrates different economic sectors (e.g., formal and informal) and development sectors (e.g., environment, social). Also, consider opportunities for inviting outside experts and agencies. For example, when field-testing this manual in Horezu, Romania, an agency from the capital of Bucharest that specialises in organisational development was invited to attend the workshop. Because they were able to see the process, the needs and the local support, they agreed at the meeting to commit resources to achieve Horezu’s desire to create several sector-based associations (e.g., agriculture).

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Promoting Implementation

While involving the local area and/or stakeholders might seem time-consuming, involving people in a meaningful capacity will create a sense of ownership over the planning effort. This sense of ownership is critical to obtaining initial and sustained support for implementation. Due to its complex nature, economic development planning will likely succeed when stakeholders and local residents are invited to “own” a piece of the plan.

Beginning to Think about Institutionalisation

The issue of institutionalisation often only comes up at the end of the process. Institutionalisation is a way to ensure long-term success of LED, and important processes like participatory planning, by incorporating LED into governance procedures. Beginning to think about ways to “mainstream” LED early in the process is a good idea (e.g., establishing permanent LED position or giving). It will become more critical when implementation and next steps are required (more on this in Step 8).

Stronger Communities

The reason for consulting stakeholders is not only to create a better, more carefully thought-out plan. This approach can also serve to empower the local area to take control of the future by strengthening collective and individual capacity and decision-making power and making use of the skills of

Where Are We Now?

• STEP 2: STAKEHOLDERS AND PARTICIPATION

Where Are We Now?

local residents. A well-designed participatory process will develop local leadership and skills, generate new ideas and innovative, unique approaches and build the capacity to initiate, implement and sustain economic development projects.

LED in Post-Conflict and Transition Areas

Using the consultation and social dialogue as outlined in this manual can have other indirect benefits. For example, in post-conflict areas, the LED approach can foster social cohesion by bringing together people who belonged to different factions or opposed groups during the conflict. In such contexts, consultation and social dialogue have demonstrated a positive impact on peace consolidation and conflict resolution. For case studies of this success, visit the ILO Website to read their experience in Croatia (see Training Resource Link 7) and the CUI Web site for their experience in Bosnia.29

Case Reference 9: Local Governments Working in Partnership with their Communities, Indonesia

Sorong, Indonesia, initiated a multi-stakeholder participatory approach to LED, resulting in successful partnerships and effective actions. A broad range of local residents, or stakeholders, participated. One of the key issues constraining local economic development was fishing licenses. Local fishers were being deprived of their income as large fishing trawlers, whose owners obtained fishing licenses from the central government, fished in local waters. The participatory approach allowed the local area to jointly develop a partnership with the local authority, to collectively lobby the central government. The result was a transfer of licensing authority to the Sorong District. The District then assisted local fishers by restricting fishing within 6.2 miles (10 kilometres) of the coastline to small-scale local residents. The result has been the retention of local jobs, leading to a healthier economy and environment.

Wiranto, Tatag. 2002. Partnership for Local Economic Development (KPEL)

Training Resource Link 7

LED in Post-Conflict Areas

LED can be used as a tool for peace by encouraging stakeholders in post-conflict situations to work together for mutual benefits. Visit the ILO at:

www.ilo.org


Visit the ILO: www.ilo.org

Visit the Canadian Urban Institute, Bosnia Project: www.canurb.com

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How to Incorporate Participation in the Planning Process

Once a core group has been established and the plan-to-plan has been developed (Step 1), there are three key tasks required to incorporate participation in the planning process:

**Task 1:** Determine extent of public involvement and identify stakeholders

**Task 2:** Establish the size and structure of the stakeholder partnership group

**Task 3:** Establish the procedures and terms of reference of the stakeholder partnership group

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**Task 1: Determine extent of public involvement and identify stakeholders**

Breadth vs. Depth in Civic Engagement

Ideally, the planning process for economic development will incorporate participation in all aspects of plan making, from initial visioning to monitoring and evaluation. A variety of ways can be used to meaningfully integrate disparate views into the planning process. Examples include providing opportunities for stakeholders to submit their views for consideration and inviting interested parties (e.g., the local residents) to control the decision-making process itself. For some decisions, such as emergencies where time is a powerful constraint, and low-stake decisions where the expense and effort of seeking public input is not worth it, a decide-and-announce process with no public involvement, or a one-time effort such as a town hall meeting, might suffice. Typically, a process will have two key components:

1. public involvement that seeks a two-way flow of information (e.g., open house information sessions, surveys); and
2. stakeholder engagement geared towards decision-making and actual implementation.

Public involvement could be a single-process action, such as a representative sample obtained through a local area survey or a town meeting. Stakeholder engagement is a multiple-process action requiring many meetings to reach agreement on actions and implementation. Choosing the appropriate action for public involvement requires understanding the budget, timing and other constraints as well as the objectives. This approach might involve the local area in both directing the process (through stakeholder involvement) and shaping the process (through public consultations). The table below shows some possible public involvement objectives and actions, and Figure 6 provides a graphic overview of the range of public and stake-
holder involvement, from the “Decide and Announce” approach to more inclusive “Stakeholder-Based Direct Involvement.”

### Figure 6: The Range of Public Involvement
**Options in Decision-Making**

#### OBJECTIVES
- Promote information dissemination
- Enhance public education (reduce the gap between perception and reality, establish common factual base)
- Gather ideas and identify problems
- Scope out the range of citizen/stakeholder concerns
- Need to build consent with citizens & stakeholders and adjust plan
- Promote collaboration and relationship building
- Gain a reliable, defensible understanding of public opinion
- Obtain consultation, advice and recommendations
- Ensure feedback and ongoing communications

#### ACTIONS
- Public forum
- Discussion papers, reports, newsletters
- Seminars
- Conferences
- Competitions for youth
- One-on-one consultation
- Open houses
- Town meetings
- Surveys
- Workshops
- Focus groups
- Stakeholder groups
- Advisory committees

Common for promoting better decisions and good governance when faced with complex, high stakes or multi-interest decisions

Series of events open to the public or for targeted stakeholder groups. Looking for informed input or advice

One-time opportunity for public comment – looking for minimal input or advice

No public involvement

Less Public Involvement

Public announcement or press release

More Public Involvement

Meaningful consultation throughout the process. Looking for substantive advice and/or agreement

Stakeholder Based Direct Involvement

Stakeholder group meetings
Stakeholder workshop
Advisory council or committee

Open houses
Town meetings
Focus Groups
Information meetings
Informal sessions

Surveys
Mass communication (E-mail, fax billboard, flyers, seminars, conference)

Common for emergencies, obvious decisions, low stake decisions
Identifying Stakeholders

When opening up the planning and decision-making process, a balance must be achieved between involving as wide a range of participants as possible and overloading the managerial capacities of the leaders of the initiative. Identifying stakeholders and possible future partners is essential (see Tool 2a), while prioritising stakeholders provides focus throughout the planning stages (see Tool 2b). Another helpful exercise is conducting an assessment of the stakeholders in the context of the LED planning process (see Tool 2c). This helps to identify challenges and opportunities.

Selecting participants for the stakeholder group warrants careful thought. The make-up of the group will determine both the legitimacy of the group and its ability to develop new ideas, insights and consensus for action. Without such an approach, plans have an increased risk of falling short of expectations, facing local-area resistance or simply lacking the support structures and resources required for implementation (see Action 2: Stakeholder Implementation Group; Action 22: Partnerships).

As discussed in the Overview section, one key stakeholder is the local government, because its members are already deeply involved in local business activity as suppliers of infrastructure, tax collectors and as regulators of land, buildings and activities. The local government should also be able to provide legitimacy and accountability where members are democratically elected. Clearly, business organisations should be considered, because they can help harness the entrepreneurial innovation needed to make markets more efficient. Labour organisations are also commonly included because they can mobilise workers and advocate improvement in the quantity and quality of work opportunities. To provide key insight and get local support for the process, local leaders reflecting the different activities and interests of the local area should be considered as potential stakeholders.

Today, non-governmental organisations (NGOs) and citizen-based organisations (CBOs) play a stronger role in all aspects of civil society, helping promote transparency and make sure that a wider range of voices is heard, including the most marginalised. These groups also might have stronger ties to the informal economic sectors. Institutions and educational organisations should be considered because they can help with research and innovation. Finally, surrounding jurisdictions might be considered as stakeholders and collaborative partners in promoting more intensive economic interaction. The table below provides a listing of possible candidates for inclusion in a stakeholder committee:
Table 4: List of possible candidates for a stakeholder group

<table>
<thead>
<tr>
<th>Public</th>
<th>Business and Labour</th>
<th>Local area and Non-Governmental</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Local government (including technical departments)</td>
<td>• Small and medium-sized businesses</td>
<td>• Local area leaders</td>
</tr>
<tr>
<td>• District, regional and national governments</td>
<td>• Micro-scale businesses</td>
<td>• Informal economy groups</td>
</tr>
<tr>
<td>• Sector boards and authorities (e.g., health, education, transportation)</td>
<td>• Large corporations</td>
<td>• Neighbourhood groups</td>
</tr>
<tr>
<td>• Zoning board</td>
<td>• Trade unions</td>
<td>• Local-area service organisations</td>
</tr>
<tr>
<td>• Educational institutions (technical schools, universities)</td>
<td>• Labour unions</td>
<td>• Taxpayer associations</td>
</tr>
<tr>
<td>• Utilities</td>
<td>• Real estate developers</td>
<td>• Local educational institutions</td>
</tr>
<tr>
<td>• International support (lending institutions, development agencies)</td>
<td>• Banks, credit unions and other financial groups</td>
<td>• Local religious groups</td>
</tr>
<tr>
<td></td>
<td>• Chamber of commerce</td>
<td>• International development groups working locally</td>
</tr>
<tr>
<td></td>
<td>• News media</td>
<td>• Women in the workplace</td>
</tr>
<tr>
<td></td>
<td>• Business support groups</td>
<td>• Minority, disabled and disadvantaged groups</td>
</tr>
<tr>
<td></td>
<td>• Professional associations</td>
<td>• Environmental groups</td>
</tr>
<tr>
<td></td>
<td>• Private utilities</td>
<td>• Cultural, historical</td>
</tr>
<tr>
<td></td>
<td>• Private education &amp; Think tanks</td>
<td></td>
</tr>
</tbody>
</table>

Questions to consider when identifying stakeholders and public processes:

- How will the larger local area be informed and invited to participate in the strategic planning process?
- What degree of inclusiveness is required to plan and implement successfully?
- Have all relevant stakeholders been identified? Consider
  - their stake in the issues (e.g., the urban poor);
  - their formal position (e.g., government authority);
  - their control over relevant resources (e.g., money, expertise), and
  - their power to promote, hinder or block implementation (e.g., activist groups, lobby groups).
- What can they bring to the process (skills, knowledge, experience)?
- Is there a representative sample of sectors, institutions and local area groups?
- Are traditionally under-represented groups involved, such as women’s groups and informal economy groups?
- Who has the skills, interest, political will, credibility and/or commitment to do the work that must be done? Have they been invited to participate?
- Who else should be involved (ask the “partnership group” who else should be at the table)?
- Have parties who will need to be involved in the implementation of any plan been invited?
What roles and responsibilities will be given to which participants at each stage of the strategic planning process?

How will consensus be reached?

How will ideas be communicated to the local area and how will feedback be handled?

**Adequate stakeholder representation**

The most important component of engaging stakeholders is the creation of a dedicated team that will fulfill its roles in the process. The stakeholder group is asked to act as a planning, advisory and coordinating committee for the economic development effort. Stakeholders often participate by sitting on boards, steering committees, technical committees or other economic development support groups. The question of adequate stakeholder representation is typically determined by the scope and scale of the process or action, and whether or not broad-based consensus is required. While every effort should be made to get the “right” stakeholders at the table, this process might end up being self-selecting, which is not a bad thing as a small committed group is better than a large indifferent group.

Generating interest among important stakeholders (especially the poor and marginalised) can be a challenge. Strategies to generate interest include direct contact with representative organisations or (in)formal with leaders to assure them that the process is legitimate and will meaningfully consider their issues, especially if they participate. Often, capacity and organisation are primary reasons for not participating. In this case, additional resources might need to be secured to work one-on-one with the identified groups prior to, or parallel to, the stakeholder process.

**Figure 7: Stakeholder identification, capacity and interest process**

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Where Are We Now?

Task 2: Determine the size and structure of the stakeholder group

Another factor to consider is the size of the stakeholder committee, because there might be tradeoffs between effectiveness and representation. The optimal size of the stakeholder committee depends on a common sense assessment of how many people and who are needed. If a committee is too large, it is difficult to move forward and some participants might feel that their voices are being lost. If it is too small, it might not accomplish very much, not be representative enough and fail to generate required enthusiasm and support. Conventional wisdom suggests that a stakeholder group of less than 20 people is preferable, with seven to 15 members best for most sub-committees. However, successful processes have been run with groups of 40, if they are aware of the challenges of working with a large group, respectful and have clear process rules.

Structure also needs to be considered when forming a stakeholder committee. An alternative to a single stakeholder committee is a Core Group – Stakeholder Group – Working Group approach as shown in Figure 7. In this option, a Core Group (see Step 1- Task 2) or a planning support team would work with a Stakeholder Group of key decision-makers and elected representatives. They would, in turn, create working groups to carry out specific tasks during different phases of the strategic planning process and bring back recommendations for discussion and approval by the Stakeholder Group. Working groups are made up of stakeholder representatives with interest or expertise in specific issues. These groups are often also asked to be responsible for inviting other stakeholders and the broader local area to participate through a variety of facilitated forums, such as neighbourhood meetings, public hearings, workshops, focus groups or interviews and surveys. The Stakeholder Group would then be responsible for getting approval from its constituents and ultimately, from the elected government body e.g., the municipal government (see Figure 8).

Please remember that not all stakeholders will be adequately represented in a meeting or committee setting. This is especially true for marginalised groups. For this reason, other forms of participation should be considered in the process to allow these voices to be heard. Effective tools to encourage broader involvement might include local-area mapping exercises and performance art with feedback. Many creative ways exist to solicit involvement and consultation which are often only limited by imagination and cultural constraints (see Case Reference 10).

The idea of anchoring the Core Group in the Local Government, as depicted in Figure 8, has a long-term advantage of promoting the institutionalisation of LED. However, this structure assumes that local governments are capable of providing both political leadership and technical support; this might not always be the case. In fact, in cases such as countries transitioning to democracy, local governments need to engage in the critical issues of building trust and credibility and improving their sometimes under-qualified, corrupt image. These issues can be addressed through structural adapta-
tions to the model provided in Figure 8, such as putting the Core Group as a multi-institutional supporting mechanism or secretariat setup laterally to provide technical support and input to the process. There is also the possibility for other stakeholder organisations to contribute expertise to the core group through secondment, for example. The idea is not to refute the leadership role of the local government or the institutionalisation of the process in the municipality, but to make room for stakeholders to adapt to their local realities.

Case Reference 10: Public Participation – The Theater of the Oppressed, Brazil

An alternative method for soliciting the local-area expression of opinions used in Brazil is called the Theatre of the Oppressed. Local residents perform a production about concerns in their daily lives. An actor(s) presents concerns about politics, economics, and society to an audience that engages in a dialogue with the actor(s) about the issue. This form of expression allows dialogue about important issues in everyday language and without the pressures of a formal business atmosphere. There should be a mechanism for including the information gathered so it can be incorporated into the process.

More information on the Theater of the Oppressed can be found at: http://www.toplab.org/

Figure 8 overleaf outlines one possible way to structure a stakeholder process with roles and responsibilities detailed in the bullet points below. If this proves successful, a similar approach might be used to address the organisation of implementation issues discussed in Step 8.
Figure 8: A General Partnership Model for LED Stakeholder Planning

**LED Leadership from Local Government**

- Provides formal Planning Mandate
- Constitutes Stakeholder Group
- Constitutes Core Group

**Core Group**

- Administers planning effort
- Provides process support
- Assists with objective structuring, data gathering, alternative development
- Reports and liaises between Stakeholder Group and municipality
- Integrates Stakeholder planning with decisions with formal planning processes

**Stakeholder Partnership Group**

- Provides representation on Stakeholder group and/or Working Groups

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31 Adapted from ICLEI, 1996
Should include under-represented groups, business groups, NGOs, CBOs, trade unions, professional associations, universities, national/regional government

- Provides commitment and resources
- Provides legitimacy, profile in the local area and public liaison
- Provides reports, decision of the group to the municipality and other partners
- Manages planning process
- Consults with public, stakeholder constituents
- Develops structure for analysis, defines priorities, assesses tradeoffs, works towards consensus
- Gets buy-in and commitment from key partners for implementation stage

Working Groups, Task Forces and Sub-Committees

- Created as needed to provide greater focus, detail, participation and insight into specific aspects of the planning process.

Task 3: Establish the procedures and terms of reference of the stakeholder partnership group

Process Design

Process design, as opposed to substantive discourse, is a critical element of a successful LED process. Process design involves creating a basic set of agreed-upon rules necessary for effective and efficient communication between participants in the stakeholder group. A skilled facilitator should be able to help develop and implement these rules. Some key issues include confidentiality, communications protocols, process transparency and rules for entering and leaving the process.

Stakeholder Terms of Reference

Once the desired representatives are identified, the terms for their participation must be established. The terms of reference should describe the following: activities to be jointly undertaken, roles of the participants throughout the process, standards for information gathering and sharing, decision-making methods (including dispute resolution and review), resources to be provided by each partner and agreements on how the outcomes of the planning process will be integrated into the planning activities of the local area (see Tool 2d). These terms of reference should be formally agreed to by the members of the Stakeholder Group and periodically reviewed.
Stakeholder expectations

The expectations of the stakeholder group often get overlooked from the outset of a LED process, but they inevitably become more important throughout the process. Therefore, it is wise to address these expectations as soon as possible. By answering the questions below, many expectations can be effectively addressed:

- What is the group empowered to do (e.g., give advice and make recommendations)?
- What is the scope of the plan?
- Is there another process that must follow the stakeholder group process to legitimise the plan (e.g., approval by city council, approval by NGO or business group boards)?
- What process resources does the group have (e.g., what is the budget for renting space, providing food and beverages, providing technical support, providing paper, pencils, photocopying)?
- From the outset of a process, what implementation resources does, or might, the group have to work with (e.g., the possibility of using city funds, private sector funds, donor funds)?
- What are the time constraints?
- What are the reporting procedures?
- What are the roles and responsibilities of each member of the group (e.g., attend each meeting and be prepared, assist with data collection)?
- Can new members join partway through? If so, what is the process for adding new members?
- What are the process objectives and output (e.g., a written plan of action, commitment by stakeholders to follow through with agreed-upon actions)?

Supporting People to Participate

Access to resources and decision-making authority is not always equitable, but is determined by power relations. Differences in power among stakeholders shape their opportunities to participate in the decisions that affect them. For economic development strategies to be effective, they should take local power structures into account and involve stakeholders in a meaningful and authentic way. This is not easy and the responsibility often falls to on the leadership. Part of this process involves moving towards systems of sharing power with others to get things done. Planning with an awareness of political, social, cultural and economic factors will help to overcome limiting factors that such conditions might impose.
To encourage the broader local area to participate in planning processes consider the following actions:

- Provide transportation to and from meetings
- Provide child care at meetings
- Hold meetings close to where participants live and work rather than making them come to you
- Choose a “neutral,” non-threatening location for meetings
- Target representatives of all opinions, groups and ages, including those who have been traditionally marginalised
- Organise sessions by occupation/sector, social grouping or gender to help make participants comfortable speaking up
- Consider holding sessions on different days and at varying times
- Announce meetings well in advance, send out reminders close to the date
- Extend direct and personal invitations to groups and individuals
- Use professional facilitators whenever possible
- Use types of gathering outside of the traditional “meeting” format (e.g., site visits, slide shows)

**Involvement from Start to Finish**

It is important that the outcomes of participation influence planning and decision-making. Participation is often included in planning but it is not clear to the project designers why local stakeholders are being involved or how their input will feed back into the plan. Therefore, the participation process is often confused, mechanical, and/or inappropriate for the specific group or groups the planners are trying to involve. This might result in anger, resistance or a lack of a sense of ownership for the plan, making implementation difficult. Therefore, it is important to ensure that the consultation process takes full advantage of participants’ insights and ideas on LED-related issues that impact stakeholders, leaders and local residents.

**Dealing with difficult stakeholders**

Many processes will face the challenge of difficult stakeholders: individuals or groups that disrupt the process. These stakeholders might feel threatened by a new way of doing things or a loss of control. They might protect their interest at the expense of the whole, or might have an unknown and hidden agenda.

Before asking these stakeholders to leave the process, it is a good idea to spend a little extra time with them to understand their reasons. Education and understanding might ease their fears. In many cases these people turn from being an "enemy" into the strongest ally of the process.
Step 2: Review Checklist (a)  
Stakeholder Analysis

| ✔ Key decision-makers from various sectors of the local area (see Table 4) |
| ✔ Political leaders who can act as “champions” of the planning effort |
| ✔ Individuals or groups affected by economic development plans |
| ✔ Traditionally under-represented groups – women’s groups, informal economy |
| ✔ People who can represent more than one interest |
| ✔ Individuals or groups who are willing or able to play a leadership role in the planning process, problem-solving and conflict management |

Step 2: Review Checklist (b)  
Stakeholder Partnership Group  
Terms of Reference

| ✔ Activities to be jointly undertaken |
| ✔ Roles of the participants throughout the process |
| ✔ Standards for information-gathering and sharing |
| ✔ Decision-making methods, including dispute resolution and review |
| ✔ Resources to be provided by each partner |
| ✔ Agreements on how the outcomes of the planning process will be integrated into the planning activities of the municipality. |

(Source: ICLEI, 1996)
# Ensuring Successful Participation

The UN-HABITAT’s *Building Bridges* series on participatory planning cites National Civic League research that identified ten factors for successful participation. These useful results are listed below:

<table>
<thead>
<tr>
<th>Table 5: Ten Factors for Successful Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Good timing and clear need</td>
</tr>
<tr>
<td>2 Strong stakeholder groups</td>
</tr>
<tr>
<td>3 Broad-based involvement</td>
</tr>
<tr>
<td>4 Credibility and openness of process</td>
</tr>
<tr>
<td>5 Commitment and/or involvement of “high level,” visible leaders</td>
</tr>
<tr>
<td>6 Support or consent of “established” authorities or powers</td>
</tr>
<tr>
<td>7 Overcoming mistrust and skepticism</td>
</tr>
<tr>
<td>8 Strong leadership of the process</td>
</tr>
<tr>
<td>9 Interim success</td>
</tr>
<tr>
<td>10 A shift to a broader concern</td>
</tr>
</tbody>
</table>

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Participatory planning – Is it practical?

This manual advocates a participatory approach to planning. Most international organisations support some form of participation in their projects. For example, the UN-HABITAT has developed training material (referenced at the beginning of this section) that suggests a participatory approach is critical to successful project implementation in international development. The World Bank’s source book on participation[^33] suggests that participatory planning helps increase internal rates of return on projects and improves loan repayment compliance.

But is participatory planning practical? Is it being achieved? Views conflict on this. Some managers in the field find it a nuisance. Interviews with one international NGO working in the developing world stated that their staff intentionally avoids working with local government because their projects become derailed by political interference and because valuable resources are often squandered by cronism and corruption. By the same token, some local government officials see a participatory stakeholder process as frustrating, time-consuming and a waste of resources – in their opinion, limited resources should be used for implementation.

The position taken in this manual is that stakeholder participation underpins durable decision-making, which establishes the bedrock for sustainable planning. If communities are going to have success and resilience in the long term, they need good governance provided by effective public institutions, strategies and experience for resolving conflict constructively, and an active and engaged public. A well-organised and structured process can give elected officials information needed to spend public funds; it can also direct private resources to support these expenditures and it gives marginalised groups a chance to receive attention in a meaningful, constructive way.

Final Thoughts on Participation

Stakeholders need to be involved in the process in ways that will allow them to feel that their voices will be heard and considered. The key is to create a well-structured process that promotes openness, fairness and respect, yet does not overburden the stakeholders. The process should have enough resources to achieve some incremental, tangible results on the ground, so that participants do not feel that their time is wasted or considered not valuable. Process design must also take into consideration pragmatic issues regarding participants such as “workshop fatigue” and over-process.

Finally, it is neither realistic nor helpful to force individuals and organisations to participate. However, it is possible and important to provide both the incentive and opportunity to participate. If everyone does not or cannot participate, that is fine, as long as a sincere effort was made to include them. Sometimes, planning initiatives need to gain momentum first, then, over time, new partnerships form, interest is ignited and new processes

established. Sometimes, there are only enough resources and interest to get “knowledgeable” local residents, or a few local leaders involved initially. Participation as outlined in this step provides some options, but these will need to be modified to suit each local circumstance. The final point is to seek participation, but do not let it bog down or destroy the LED strategy!

### Step 2: Horezu Stakeholders and Participation

#### Task 1: Determine extent of public involvement and identify stakeholders

The core group desired a high level of public involvement. First, the business community was targeted and a specific survey developed for this group. Dozens of local businesses completed the survey. To incorporate the general public, an open house was held. This was to both alert the public to the strategic planning process for LED and to solicit their input. Surveys were also developed that targeted the general public. Hundreds of surveys were completed. This was the first time the community had been solicited for input on public policy and local development.

Working with the local schools, more creative approaches were employed to involve the youth and children. Children aged 3 to 10 engaged in a painting competition. Each painting reflected the children’s vision of Horezu economically in the future. Older children aged 7 to 12 worked in teams to build models of their vision of Horezu. The youth of Horezu engaged in an entrepreneurial business ideas competition. The youth that came up with the most creative and practical local business ideas were given awards. The awards ceremonies for the children drawings and for the best business ideas were integrated into the LED planning conference.

#### Task 2: Establish the size and structure of the stakeholder partnership group.

The core group had identified a three-day planning conference to be held in April 2004. Further and more detailed stakeholder analysis was undertaken and the process to form a “Partnership Group” was initiated. Effort was made to include leaders from across the business and civil society spectrum (in the end, over 40 leaders from all stakeholder groups were represented at the April planning conference).

#### Task 3. Establish the procedures and terms of reference of the stakeholder partnership group.

No formal stakeholder group was convened at this point and no long-term stakeholder process determined. Therefore, general rules of procedure were established for the conference without presuming the appropriate organisational structure for next steps. These would be determined at the conference itself.

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**Case Study:**

Horezu Romania
### Agenda: Horezu LED Strategic Planning Conference

#### LED Conference DAY 1

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
</tr>
</thead>
</table>
| 9.00 – 10.30 | Opening speeches, agenda introduction  
  *Where are We?*  
  Horezu Economic Potential Evaluation Study Presentation |
| 10.30 – 11.00 | Coffee Break |
| 11.00 – 12.30 | *Where are we going?*  
  Vision for Horezu LED  
  Group work and plenary |
| 12.30 – 14.00 | Lunch Break |
| 14.00– 15.00 | Agreement of vision statement  
  Problems and Opportunities for achieving the vision  
  Group work |
| 15.00 – 15.30 | Coffee Break |
| 15.30 – 16.30 | Plenary presentation |
| 17.00 – 20.30 | Trainers team synthesize group ideas for next day, clustering them on main strategic objectives based on vision structure |

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#### LED Conference DAY 2

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
</tr>
</thead>
</table>
| 9.00 – 10.30 | Synthesis of Day 1 results: list of clustered problems and opportunities  
  Discussion and agreement, groups are formed based on interest |
| 10.30 – 11.00 | Coffee Break |
| 11.00 – 12.30 | *How do we get there?*  
  Developing strategies based on solving main priority problems and exploiting main priority opportunities – group work |
| 12.30 – 14.00 | Lunch Break |
| 14.00 – 15.00 | Developing strategies continued... |
| 15.00 – 15.30 | Coffee Break |
| 15.30 – 16.30 | Plenary presentation |
| 17.00 – 20.30 | Trainers team synthesize group ideas for the next day |

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#### LED Conference DAY 3

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
</tr>
</thead>
</table>
| 09.00 – 10.30 | *How do we get there?*  
  Time and responsibilities for proposed activities – group work |
| 10.30 – 11.00 | Coffee Break |
| 11.00 – 12.30 | Plenary presentation |
| 12.30 – 13.30 | Awarding ceremony for youth contest on business ideas  
  Conclusions and Evaluation |
| 13.30 – 15.00 | Closing Lunch |
Step 2: USER NOTES...
Learning Objectives

- To understand the purpose of a situation analysis
- To be able to conduct a situation analysis

Understanding the Situation Analysis

What is a Situation Analysis for Economic Development?

To plan for local economic development, it is extremely important to identify and understand the economic base, markets and basic function of the local economy. This requires understanding local businesses, what they produce and where they purchase their inputs, in addition to economic events and economic trends. A complete analysis would examine aspects of all four kinds of capital: human/social, financial, manufacturing/physical, and natural. Furthermore, the analysis should explore relationships and organisations within the local area, and between the local area, the region and the rest of the world. The analysis should investigate the economic past and present of a local area and provide the basis for identifying and prioritising important issues and opportunities to be considered in future development plans.

Why conduct a Situation Analysis?

To have a basic understanding of the local economy

Having a basic understanding of the local economy is important to develop an effective LED strategy. Success in LED requires identifying your local strengths and building on them; realising your weaknesses and addressing them; supporting specific economic activities to take advantage of opportunities; and mitigating threats and adverse impacts.

To differentiate facts from values – the role of the expert vs. the role of the participant

Throughout the planning process, discussions will likely confuse facts with values. Facts are known truths and data amidst assumptions and uncertainty (e.g., unemployment rate is at 12 per cent; 20 per cent of the families live below the poverty line). Facts are established by experts through research.
and analysis (or expert judgment). The experts and results should be objective and respected by all participants. If the information used is seen as slanted, the entire process can be derailed. Values are what individuals deem important (making gains in poverty reduction is a very important issue). Value information is provided by participants who indicate the relative importance of issues and actions. At this point of the process, differentiating between facts and values is a good idea.

Facts, or technical information, establish what we know, within a degree of certainty, based on stated assumptions. Values are what are important to us. To establish “facts,” we conduct research and use expert judgments. To establish values, we ask how important making changes to these facts are to us, relative to each other. For example:

- FACTS – (established by research or expert opinion) might be:
  - 40-50 per cent of families headed by single women live below the poverty line;
  - 15-20 per cent of male adults are unemployed.

- VALUES – (established by community members, stakeholders or decision-makers) might assert that:
  - In general, strategies that reduce poverty levels of households headed by single women are more important than those that reduce the male unemployment rate.

The situation assessment seeks to understand facts and the uncertainty/assumptions behind them. As much as possible, it is important to maintain clarity and separation between these issues throughout the process to avoid confusion, unnecessary conflict and delay. Later, in Steps 5 and 6, we begin to explore values by using facts as a basis – asking what is more important and why.

How to Conduct a Situation Analysis

The economic situation assessment involves three key tasks:

**Task 1:** Collect and review research and analysis already completed

**Task 2:** Create a local area economic profile

**Task 3:** Conduct assessments and analyses:

- Business and local resident attitude survey (basic issues analysis including perceived problems and opportunities);
- Competition and collaboration analysis;
- Economic leakage, markets and supply chain analysis;
- Gender analysis;
- Livelihood assessment;

34 Note: Expert values might influence the representation of facts; therefore, understanding methods of research, expert judgements and assumptions is important.
Where Are We Now?

- SWOT Analysis (Strengths, Weaknesses, Opportunities, Threats).

This information can be collected to different degrees of detail and through many different methods. Ideally, all three tasks will be fully completed. Often, to get started, it is necessary to focus only on what is possible given time and resource constraints and the scope of the process (see Step 1 for scope). One possible starting point is to hold a workshop or meeting with key players and experts in the local area to conduct an initial situation analysis with them. By using the framework provided in this section, along with the tools provided in Step 3 of the ToolKit, an assessment workshop will allow for quick gathering of critical base information and identification of key data gaps/requirements. If more information is required, this workshop process can help focus what information is needed, thereby making effective use of limited resources. The information gathered here can then be used to launch the next steps of the analysis (see Case Reference 11).

**Case Reference 11: A Participatory Situation Assessment, Hungary**

The town of Nagykata, Hungary, was facing severe unemployment and a lack of confidence in local authorities during Hungary’s transition to democracy and a market economy in the 1990s. To address these problems, a project was created to democratise the town’s management and realise a united local area vision. The first part of the project was to be a community-based economic development plan. It began with a communications campaign to raise public awareness about the project and to obtain feedback from residents. First, a situation analysis document was prepared and distributed to all households, institutional organisations and non-governmental organisations in Nagykata. It was also published in the local newspaper. Two questionnaires were then distributed to obtain feedback on the situation analysis. This was the first time the town’s residents had been asked for their input in the planning process. This was followed up by a series of public forums, which resulted in tremendous public support and buy-in for the strategic plan.

The town was able to provide an updated municipal profile that included demographic, socio-economic and physical data to potential investors. A Japanese electronics assembly plant ended up locating there, as well as several medium-sized enterprises and the expansion of existing firms. The unemployment rate has dropped from 25 per cent in 1995 to 5 per cent in 2002, residents’ satisfaction with the local government has increased, and the town has become a model for economic development in Hungary. Further strategic planning is now underway to improve tourism, environmental protection and waste management.

*Source: Local area Based Economic Development in Nagykata, Hungary: (www.bestpractices.org)*
Data Collection Tips and Challenges

Throughout this step, the process should take advantage of the best available information within the resources constraints available. Also, beware of “data bias,” which occurs when only the data already available is used to make decisions. This information is often available for formal economy activity, leaving the informal economy and other vulnerable groups out of the process. Where hard data are not available (e.g., number of net jobs created annually), it is possible to use qualitative data, or descriptions to incorporate non-quantifiable or easily accessible information. For example, an index could be created on a high-medium-low scale, providing each is well described (i.e., high = excellent communication with local government per business survey). Remember the following tips in data collection:

- Information availability will be limited by the resources available to collect it.
- Not having a complete and comprehensive set of data should not stop the process.
- A process should utilise the best available information, even if it is qualitative.
- Relative data is more useful at this point in the process than absolute (i.e., as long the data is consistent and useful as an indicator for comparative analysis, it is fine to use for decision-making purposes).

When collecting data, ask:

- What information exists about your local economy?
- What will this information be used for?
- Will it help make decisions?
- Is it possible to get a good set of initial data cheaply, through a workshop or meeting with experts and knowledgeable people, and then fill key data gaps later (or better yet, use this as a first step of the participatory process)?

**Warning:** Without restrictions, data collection could go on indefinitely and consume an entire budget. Not having a complete and comprehensive set of data should not stop the process. In fact, identifying key data gaps that provide insight into the possible consequences of a LED strategy should focus future data collection efforts.

**Task 1: Review Existing Research and Analysis**

Before beginning a situation analysis, make an effort to ensure that all past and current research and analysis on economic and social development of the local area have been collected. This will help initiate the information-gathering process, provide alternative perspectives on the situation and avoid doing work that has already been done.
Task 2: Create a Local Area Economic Profile

An accurate understanding of the local economy, its history and current characteristics will help develop a realistic and achievable plan for economic development. The process begins by cataloguing the make-up of the local area’s economic, social, environmental and organisational base (see Tool 3a). In some cases, the information required already exists and simply needs to be gathered, summarised or updated. In other cases, much of the key data can be collected though rapid assessments (see Tool 3b). The groundwork done in developing a local economic assessment is valuable in that it brings together important data that can be used throughout the planning process to inform visioning, to help set realistic objectives, to develop appropriate and creative strategy options and to effectively monitor and measure economic performance (see Training Resource Link 8). This understanding will require extensive data collection and analysis, but be strategic about researching to minimise time and resources!

The information-gathering stage also provides opportunities to involve the public. Many participatory methods and tools can be used such as stakeholder assessments, local area meetings, focus groups, surveys, interviews or mapping sessions; these are discussed in the ToolKit. Outreach might also be helpful to identify stakeholders who can be invited to participate in economic development committees, working groups, boards and steering committees.

Factors to consider when conducting the inventory needed to generate the local area profile should reflect the components of a functioning economy, namely: human and social capital, financial capital, manufacturing and physical capital, and natural capital (see Table 6). Within each of these categories is a great deal of base-data to evaluate economic, social and environmental well-being; some of these have been listed in Table 6. For each local area, the emphasis and importance of the following factors will vary. Remember, this framework should provide a basis for data gathering. Do not be overwhelmed if you do not have this information or the resources to professionally obtain it all.35

Training Resource Link 8
ECOLOC handbook – Volume 1: Assessing local economies and their prospects

While this handbook focuses on Africa, it is an excellent resource for basic LED practice. It provides a method for gathering essential economic information of immediate use to local decision makers. It can be downloaded from the Web at:

35 For a how-to guide on more advanced economic analysis techniques see: Hustedde, J.H, Ron Shaffer and Glen Pulver. 1993.
### Table 6: Using the four types of capital to help develop a LED Profile

<table>
<thead>
<tr>
<th>Category</th>
<th>Aspect</th>
<th>Base Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership, Partnerships and Organisation</td>
<td>Capacity and Resources</td>
<td>• Conducted as part of Steps 1&amp;2 – Getting started and stakeholders’ participation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Summary issues related to the cost of business start-up and operation (permit fees, taxes, regulations, lease rates, labour costs, land costs)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Historical review of the development of the city and local economy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Inventory of businesses and business services by sector, type, size, number of employees, products/services, sales</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Estimation of size, characteristics of informal, barter, non-legal economy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Listing of the largest employers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Identification of primary markets and linkages for existing producers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Identification of key economic leakages, –e.g., when and why local money leaves the local economy (residents leave area to purchase goods; businesses &amp; plants purchase materials outside area)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Foreign investment and trade</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Taxation Policy (e.g., property tax – rates, jurisdictions and boundaries, abatement policy, exemptions)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Taxes (local, provincial sales, income or business taxes)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Cost of business start-up (summarise typical start-up costs, business permits fees and time requirements, land, taxes, labour costs, lease rates)</td>
</tr>
<tr>
<td>Knowledge and Information</td>
<td>Business, Market and Economic</td>
<td>• Living standards, cost of living</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Heritage, culture, recreation, social services and health facilities and resources</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Unique local features/atmosphere/identity that influence quality of life, retain local population, attract new residents</td>
</tr>
<tr>
<td>Quality of Life</td>
<td></td>
<td>• Poverty and income levels (e.g., poverty mapping by district or neighbourhood)</td>
</tr>
<tr>
<td>Demographic</td>
<td></td>
<td>• Population &amp; household size, growth rates</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Population age &amp; sex distribution and projections</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Mobility: out- and in-migration rates</td>
</tr>
<tr>
<td>Household and Family</td>
<td></td>
<td>• Household size and family structure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Household income</td>
</tr>
</tbody>
</table>
### 1: Human and Social Capital (continued...)

<table>
<thead>
<tr>
<th>Category</th>
<th>Aspect</th>
<th>Base Data</th>
</tr>
</thead>
</table>
| **Skills, Competency and Innovation** | **Institutional**                                                      | - Educational institutions by size, programmes, research capabilities  
- Government resources and services  
- Business facilities (management training, technical assistance programmes, business development associations/centers, incubators, convention-trade show)  
- Non-government institutions and service agencies  
- Programmes and opportunities exist that might help the LED effort |
|                                 | **Local Knowledge and Experience**                                     | - Level of entrepreneurial spirit  
- Successful and unsuccessful past local economic development initiatives (why did failures occur, best practices, business closures, recent business start-ups)  
- Level of entrepreneurial activity/small business development to assess local area capacity |
|                                 | **Labour Force Statistics and Data**                                   | - (Un)Employment rates and numbers by sex, age, occupation  
- Labour force participation by sex, age, occupation, industry  
- Labour stability, unionisation, conditions  
- Labour force by skills classifications, education and training levels  
- Minimum wage and prevailing wage for various occupations |
|                                 | **Gender**                                                             | - Women’s issues related to the local economy, (e.g., valuation of non-paid work, access to high-paying jobs, and triple work day)  
- Job opportunities for women  
- Women’s constraints to entering the job market, level of participation, economic expectations |

### 2: Financial Capital

<table>
<thead>
<tr>
<th>Financial</th>
<th><strong>Financial Services</strong></th>
<th>Availability of financial services (e.g., accounting, financial analysis, tax information, land valuation, etc.).</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Access to financing (credit)</strong></td>
<td>Availability of financing for business development and expansion (sources: government programmes, banks, other lenders, venture capital, local area capital, micro-credit programs, etc.).</td>
</tr>
<tr>
<td></td>
<td><strong>Local Government budgets</strong></td>
<td>From local taxes, user fees, transfer payments, grants.</td>
</tr>
</tbody>
</table>

**Table 6: (continued...)**
### 3: Infrastructure, Technology and Physical Capital

<table>
<thead>
<tr>
<th>Category</th>
<th>Aspect</th>
<th>Base Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology, Machines, Tools, Factories</td>
<td>Condition of the Physical Plant</td>
<td>Plant, factory and business technology assessment.</td>
</tr>
<tr>
<td>Location</td>
<td>Geographic implications</td>
<td>- Geographic location in relation to regional markets, major urban centers, transportation linkages.</td>
</tr>
</tbody>
</table>
| Built Environment | Applicable data on Buildings and Land Use | - Non-residential building inventory (age, size, availability, lease rates, competitiveness).  
- Residential building inventory, availability or vacancy rates, lease rates.  
- Land inventory: availability, zoning/use, status. |
| Infrastructure | Quality and Availability | - Quality and available capacity of:  
  - Communications, telecommunications.  
  - Utility (water, storm, sewer, gas) infrastructure.  
  - Energy infrastructure (capacity, reliability, cost).  
  - Waste management systems.  
  - Transportation infrastructure (major roads, highways, rail access, ports, airports, bus/truck services, shipping services). |

### 4: Natural Capital

<table>
<thead>
<tr>
<th>Resources</th>
<th>Primary resources</th>
<th>- Minerals, forests, land, water, air.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource processing</td>
<td>Type, quantity and markets.</td>
<td></td>
</tr>
<tr>
<td>Living systems</td>
<td>Quality of life</td>
<td>- Climate, topography.</td>
</tr>
<tr>
<td>Aesthetics</td>
<td>- Natural and scenic resources.</td>
<td></td>
</tr>
<tr>
<td>Ecosystem Services</td>
<td>Economic support</td>
<td>- Flood control (e.g., forested hillsides), waste treatment and recycling, pollution absorption and purification, soil management.</td>
</tr>
</tbody>
</table>
Task 3: Conduct assessments and analyses

Many types of analysis will help direct the LED Strategy, including:

- Business and local resident attitude survey (see Tools 3b-c);
- Competition and collaboration analysis (see Tool 3d);
- Economic leakage, markets and supply chain analysis (see Tool 3e);
- Gender analysis (see Tool 3g); and
- SWOT analysis (see Tool 3i).

At a minimum, understanding local problems and opportunities, as well as markets and market relationships (e.g., who is buying what from who, when is capital leaving the local economy, and how well is the local economy integrated into the regional economy) will provide the basic information needed to develop a LED strategy. Expert intervention might be needed to help interpret the data and make it useful for group decision-making.

**Case Reference 12: An Analysis of a Municipal Economy, Colombia**

The city of Cali in Colombia began developing an Economic Strategy after experiencing economic decline in the 1990s. It started an economic planning process, then gathered and organised relevant local-area economic information into five sections: (the report can be found at the Web address below):

- The first section contains an overall review of Cali’s economy and provides basic data and context.
- The second section covers the output and employment figures by main economic sectors in more detail.
- The third section presents an analysis of exports, as a key element in identifying what might be the economic future of the city and to understand the city’s “distinctive” advantages.
- The fourth section covers social and physical infrastructure as facilitators of the city’s economy.
- The final section takes all the elements studied to begin to frame a strategy to facilitate and support the leading growth sectors and ease the decline of contracting sectors.

*For the complete economic report:*

The stakeholder group might initially want to conduct assessments and analyses as workshop exercises. This gives the participants a chance to reflect on the current level of economic development and assess the local area’s economic resilience. Perhaps the most intuitive, helpful and important
assessment is the SWOT analysis. A SWOT analysis seeks to identify the Strengths, Weaknesses, Opportunities and Threats (SWOT) of the local area.

A SWOT analysis can be used as a quick and simple way to gather information from workshop participants and/or from experts. Workshop participants can conduct it as an initial local-area assessment that helps identify information-gathering priorities or to summarise data collected as part of other more sophisticated analyses. Both the local economic inventory and SWOT analysis lend themselves well to facilitated participatory processes, making them good options for input by key stakeholders and local residents. SWOT analysis is discussed in further detail at the end of this section.

Business and local resident attitude survey

Surveying the business sector and interviewing local residents about the economic situation can provide useful information. A simple survey methodology could be developed by combining the local-area assessment tool and business survey (Tool 3b-c) with the SWOT tool (Tool 3i). These should provide a broad idea of key issues, problems and opportunities from the local perspective. The information collected should then be fed back into the more structured stakeholder process for further analysis.

Competition and collaboration analysis

As discussed, understanding the local area’s relative competitive advantages and opportunities for collaboration requires looking at nearby municipalities or communities within the same metropolitan area or region. Examining places outside the local area, which are similar in size or economic function, might also lend understanding of the competitive environment in which the local area operates. This can identify opportunities for complementary or cooperative economic development between communities. Seeking out opportunities to collaborate regionally can help address local issues more effectively and increase national and global competitiveness. A simple competition and collaboration analysis could be conducted by using Tool 3d.

- Which other local areas or jurisdictions in the region have the most significant impact on your community?
- What other local areas or jurisdictions do you consider an economic competitor or collaborator? Why?
- How strong are the linkages with these areas (communication, transportation, markets)?
- What opportunities are available to improve these linkages?
- What are the areas of common economic interest?
- What opportunities exist to work together to promote common economic interests?
- What are your competitive advantages over these other local communities or jurisdictions?
If you see your local area as competing with other local areas in the region, can this relationship be turned into a collaborative one to be more competitive nationally and globally?

Economic leakage, markets and supply chain analysis (basic vs. non-basic sectors)

A fundamental economic development concept is how the basic and non-basic sectors influence income, job growth and economic loss (leakage) in the flow of a market system. Money is brought into the economy by basic sector economic activities. Basic sector activities are those commercial activities whose goods and services are consumed by non-residents of the local area. Once this money is attracted to the local area, it is in the interest of the local area to keep it circulating locally. This is done by creating “spin-off” economic activities in the non-basic sector whose goods and services are consumed by local residents. The more developed the non-basic sector, the greater the local economic benefits. Keeping money circulating locally through the development of the non-basic sector is known as the “multiplier effect.” The lower the multiplier, the sooner money leaves the local area, resulting in fewer jobs and less income (see Figure 9 and Example 2 below for a simple overview).

Figure 9: Keeping ‘the Bucket’ Full – plugging leaks and attracting money.

Therefore, a LED strategy should consider three kinds of economic opportunities:

1. Avoid capital flight to begin with (Avoid importing foreign goods if they are available locally. – e.g., Action 6: local procurement/buy-local programmes. Action 21: financial cooperatives).
2. Seek opportunities to attract money to the local economy (e.g., fair trade, agriculture, manufacturing, tourism – see Action 29: Sustainable Tourism).

3. Seek opportunities to keep it circulating in the local economic system (see Actions 10-13: new training programmes for existing businesses; programmes to keep tourists in town longer; ways to give tourists more opportunities to spend more of their money while in town).

These opportunities are identified by examining the supply chain and through market and economic analysis (see Tool 3e). By thinking about the questions listed below, a local area can begin to identify the best available opportunities to improve the local economy:

- What do local residents leave the local area to purchase? Why?
- Are there opportunities to provide local residents with a chance to spend more of their money locally? What needs to be done to do this?
- What do local businesses import from outside the local area? Why are these purchases not made in the local area (lack of capital: natural resources, skills, financing, other)?
- Are there opportunities to develop businesses from within the local area to provide local businesses with goods and services they now have to import? What needs to be done to do this?
- Could the local area attract businesses if they cannot develop them from within? How?
- Are there opportunities to set up a local bank or credit union that will make local investments?
- Can you think of any other ways to keep income inside the local area?
- After examining the primary markets and linkages for existing producers, what opportunities exist to expand existing markets for local producers?
- Where are these other markets located?
- How can they be accessed?

Training Resource Link 9

Global Value Chain Analysis

GVC Analysis offers a straightforward way to understand local business interaction in the global economy, including the informal economy and governance issues. Two helpful resources are available free of charge:

- Handbook for Value Chain Research, see: www.ids.ac.uk/ids/global/valchn

36 The local area might decide to have a professional conduct a more advanced analysis.
- What linkages need to be made more efficient for existing and potential markets (e.g., infrastructure upgrades)?
- What opportunities are there to integrate more in the regional economy?

Another important aspect to consider is developing new markets for the goods and services that the local area is able to produce, and whether the local area has any competitive advantage in supplying those markets. By identifying new markets for local goods and services, existing business can grow. For example, if there is sufficient demand in a certain sector, then new opportunities like “cluster strategies” (Action 16: Clusters) might need to be considered. Alternatively, if a local area is losing financial capital because there is no local banking, a credit union might be considered (Action 24: Micro-credit; Action 21: Cooperative; Action 25: Local Currency). Questions to consider when conducting this type of analysis relate to other analyses, including those described below.

**Example 2: In-flow/Out-flow Diagram of Simple Economy**

![Flowchart showing income and leakage in a simple economy]

**Gender Analysis**

Conducting a formal gender analysis as part of the situation analysis is also advisable. Focusing on women in LED is important because they play an increasing role in the market economy while facing many unique challenges. It is suggested that a LED plan also consider research which indicates that women are more vulnerable to exploitation, sexual or otherwise, in the workplace; that
women often lack self-confidence, which can hold them back from higher-paying jobs or business expansion; and that women lack adequate access to financing, education and skills training. Below are key questions to be included in a gender analysis, and a description of how to conduct one for LED (see Tool 3g):

**Gender Analysis: Key Questions**

- Have women been invited to participate in the LED process?
- How can women be encouraged to participate, despite their traditionally more domestic location and subordinate position?
- Are partner organisations interested, willing and able to include women in LED?
- What will be the organisational capacity of women when they are included?
- What are the most significant challenges facing women in the local economy? (e.g., education or appropriate training, less access to, and control over, collateral and capital and financial markets, household and childcare responsibilities)?
- Have women been consulted on the problems and challenges that an LED initiative is going to address? How will they be involved in development of the “solution”?
- What discriminatory practices do women face in the workplace? (Use established international and national labour and regulations codes such as health and safety, right to organise, freedom from sexual harassment.)
- Are there regulations and policies (e.g., taxation laws) that include discriminatory provisions against women?
- Are there prevailing attitudes and beliefs that might put up barriers against women in the private sector? In the informal economy?
- Will women have equal (i.e., increased) access to, and control over, productive assets (especially land, capital and credit), processing and marketing?
- Will there be increased skills training and professional development opportunities, as well as on-the-job training and management opportunities for women?

**Gender Analysis: Key Components**

- Use participatory processes and include a wide range of female and male stakeholders at the governmental level and from civil society, including women’s organisations and gender equity experts and/or advocates.
- Gain an understanding of gender relations, the division of labour between men and women (who does what work), and who has access to, and control over, resources.
- Include domestic and volunteer work in the work profile. Recognise the ways that women and men both contribute to the economy, their family and society.
Identify barriers to women’s participation and productivity (social, economic, legal, political, cultural, etc.).

Understand women’s needs and interests, and identify opportunities to support both.

Consider the differential impact of a given initiative on men and women, and identify consequences to be addressed.

Establish baseline data, ensure sex dis-aggregated (male-female) data, set measurable targets, and identify expected results and indicators.

Outline the expected risks.

**SWOT Analysis**

SWOT analysis is perhaps the most important component of the assessment phase. A SWOT analysis seeks to identify the Strengths, Weaknesses, Opportunities and Threats (SWOT) of the local area. It can be completed through a survey or through a structured workshop with the stakeholder group (see Tool 3i). Workshop participants can conduct it as an initial local-area assessment that helps identify information-gathering priorities, and/or to summarize data collected as part of other more sophisticated analyses.

When undertaking the SWOT analysis, frame the assessment by using categories that stakeholders are already familiar with and that were already used in the information collection process (i.e., human and social capital, financial capital, manufacturing and physical capital, and natural capital). As each category is systematically examined, identify strengths and related opportunities that capitalize and expand on strengths; weaknesses and related opportunities for improvement and development; and threats, or forces that threaten the local area’s resources, values and opportunities. If the large amount of data available creates uncertainty about what facts deserve attention, apply the following rule: You want to know the *internal* strengths and weaknesses that will help or hinder the local area as it encounters *external* opportunities and threats.

For example, in cities where economic activities are highly exposed to globalization – through trade, for example – external factors and the macro-economic variables are extremely important. In these cases, the decision-making power affecting key external factors and macro-economic conditions is outside local decision-making centres. Therefore, we can expect that these local areas would benefit by recognizing their threats and opportunities, while focusing on strengths and weaknesses within the power of local authorities and their partners.

To identify Strengths and Weaknesses

In each category organised for data collection (e.g., natural, human/social, physical, financial), identify strengths and weaknesses within the local area related to economic development.
Strengths

❑ What are the local area’s strongest resources (natural, social/cultural, human/social, financial)?
❑ What are the local area’s primary economic opportunities?
❑ With support, promotion or investment, what resources could become strengths?
❑ What organisations, institutions and individuals create civil society in the local area?

Weaknesses

❑ What are the local area’s biggest weaknesses and problems? (Think back to what triggered the planning process.)
❑ What are the barriers (liabilities) that can limit economic development (e.g., untrained staff, lack of infrastructure, over-dependence on local government, not enough local area empowerment)?
❑ What problems do businesses face when working with local government and other tiers of government?
❑ What are the needs and constraints that restrict the success of business and economic development initiatives (e.g., need for retraining, poor management experience)?
❑ Are there environmental factors (e.g., pollution) that negatively impact community health, lowering quality of life, attractiveness of the area and worker productivity?

To Identify Opportunities and Threats

Opportunities are the major forces outside the local area, now and expected in the future, that will influence actions within the local area. Threats are forces outside the local area that threaten the area’s resources, opportunities, or values. The purpose of this analysis is to identify the nature of change, in order to benefit from change while preventing, mitigating or minimizing potential negative impacts. Opportunities and threats might derive from social, political or technological forces and might involve changing preferences in the marketplace. They might derive from changes in government regulations. These and other external issues need to be reviewed.

Opportunities

❑ What opportunities are available to maximize, enhance or support the existing strengths that have been identified?
❑ What improvements or support might help address the weaknesses identified?
❑ What opportunities external to the local area can be identified for each category?
Where Are We Now?

**Threats**
- What threatens identified strengths?
- What threatens the viability of identified opportunities?
- What weaknesses threaten to become worse, and under what circumstances?

**International, regional and economic policy environment**
In our rapidly globalising and urbanizing world, it is increasingly important to examine the international, regional and local economic policy environment in which the local economy functions. For example, free-trade policies, international aid flows and the availability of government transfers will all directly affect what unfolds locally.

**Table 7: Types of External Trends Impacting a Local Economy**

<table>
<thead>
<tr>
<th>TYPE OF CHANGE OR TREND</th>
<th>EXAMPLES</th>
<th>LOCAL IMPACT</th>
</tr>
</thead>
</table>
| Broad External Social, Demographic, Political, or Economic Trends | • Rising political instability  
• Rising government debt | • Local investment hesitancy  
• Decreased funding for local government |
| External Policies (International, National, Regional)        | • Natural environmental policies introduced     | • Local enforcement of policies and industrial clean-up  
• Relocation of industry |
| External Market Trends by Sectors                           | • Growth of service sector, decline in manufacturing  
• Trade blocks and “free trade” agreements | • Local workforce requires skills development to compete  
• Need to become efficient and capitalize local industry |
| External Structural shifts in Employment                     | • Increases in part-time and unemployment rates  | Informal economy deepening |

These key trends or changes should be documented as part of the opportunities and threats section of the SWOT analysis and presented as important contextual variables that must be taken into account at each stage of the planning process.

**Summarize Key Strategic Issues**

Because the SWOT analysis provides a summary assessment, make sure that the issues raised are also prioritized into the most important issues for the local area. Often, the top five-to-seven most critical issues are identified as a final summary of the SWOT (see Case Reference 13).
Case Reference 13: SWOT Analysis, Municipality of Viti, Kosovo

With the support of the World Bank and the Soros Foundation, the Municipality of Viti started to design and implement a local economic development strategy. The following SWOT analysis is taken from this strategy.

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>INTERNAL</th>
<th>EXTERNAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>POSITIVE</td>
<td><strong>Strengths</strong></td>
<td><strong>Opportunities</strong></td>
</tr>
<tr>
<td></td>
<td>Positive characteristics or advantages:</td>
<td>Factors that can improve, enhance development:</td>
</tr>
<tr>
<td></td>
<td>• Favourable geographic position and climate</td>
<td>• Presence of international community</td>
</tr>
<tr>
<td></td>
<td>• Fertile agricultural land</td>
<td>• Supply of local mineral deposits and potential for development of extracting industry</td>
</tr>
<tr>
<td></td>
<td>• Close proximity to border</td>
<td>• Forested areas providing affordable raw material for construction and for wood-processing industry</td>
</tr>
<tr>
<td></td>
<td>• Business-friendly municipal government</td>
<td>• Spring waters</td>
</tr>
<tr>
<td></td>
<td>• Plentiful supply of water from River Morava e Birqës</td>
<td>• Young and reasonably educated labour force</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Utilization of financial capital and business experiences</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Diaspora programme</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Privatization of some Socially Owned Enterprises</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Proximity to borders and cross-border trade</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Development of the tourism industry</td>
</tr>
</tbody>
</table>
Case Reference 13: (continued)

<table>
<thead>
<tr>
<th>Weaknesses</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negative characteristics or disadvantages:</td>
<td>Factors and situations that can hinder</td>
</tr>
<tr>
<td>• Weak institutional framework for local</td>
<td>development</td>
</tr>
<tr>
<td>economic development</td>
<td>• Refusal to reorganise the municipal</td>
</tr>
<tr>
<td>• Lack of partnership between municipal</td>
<td>administration</td>
</tr>
<tr>
<td>government and the business sector</td>
<td>• Political instability and undetermined</td>
</tr>
<tr>
<td>• Weak physical infrastructure</td>
<td>status of Kosovo</td>
</tr>
<tr>
<td>• Lack of reliable power supply and power</td>
<td>• Inefficient collaboration between</td>
</tr>
<tr>
<td>distribution system</td>
<td>municipal government and central</td>
</tr>
<tr>
<td>• Non-functioning waste collection</td>
<td>administration</td>
</tr>
<tr>
<td>• Unclear status of land ownership and property</td>
<td>• Lack of coordination in donor programmes</td>
</tr>
<tr>
<td>rights</td>
<td>• Lack of legal infrastructure and ambiguity</td>
</tr>
<tr>
<td>• Unplanned developments resulting from a</td>
<td>in property rights</td>
</tr>
<tr>
<td>lack of planning control-zoning</td>
<td>• Lack of knowledge and experience of the</td>
</tr>
<tr>
<td>• Lack of effective financial institutions</td>
<td>business community to operate under a</td>
</tr>
<tr>
<td>• Slow process of privatization</td>
<td>market economy system</td>
</tr>
<tr>
<td></td>
<td>• Unfair competition for local producers due</td>
</tr>
<tr>
<td></td>
<td>to border area and more developed</td>
</tr>
<tr>
<td></td>
<td>neighbouring municipalities</td>
</tr>
<tr>
<td></td>
<td>• Out-migration of skilled workers</td>
</tr>
</tbody>
</table>


Step 3: Review Checklist

<table>
<thead>
<tr>
<th>Situation Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Gather, compile and analyze data for each resource category of the analysis:</td>
</tr>
<tr>
<td>- human / social capital</td>
</tr>
<tr>
<td>- financial capital</td>
</tr>
<tr>
<td>- manufacturing / physical capital</td>
</tr>
<tr>
<td>- natural capital.</td>
</tr>
<tr>
<td>2. Examine the impact of external trends on these resources.</td>
</tr>
<tr>
<td>3. Review and identify gaps in information and make arrangements to gather more data if any categories require further updating/analysis.</td>
</tr>
<tr>
<td>4. Make arrangements to collect required information (data, survey, public process).</td>
</tr>
<tr>
<td>5. Summarize information.</td>
</tr>
<tr>
<td>6. Compare with other similar communities.</td>
</tr>
<tr>
<td>7. Conduct a SWOT analysis – refer back to the four types of capital and external trends.</td>
</tr>
<tr>
<td>8. Identify key strategic issues for economic development.</td>
</tr>
<tr>
<td>9. Build consensus around key issues.</td>
</tr>
</tbody>
</table>

38 The complete Municipality of Viti Strategy for Municipal Economic Development (2003-2006) is available to view at the DELTA Web site: http://www.deltakosova.org/

Step 3: Horezu Situation Assessment

A team of experts lead by a University professor from the Urban Planning Department of the Architecture and Urban Planning University from Bucharest was contracted to work with FPDL and the City of Horezu to produce a situation assessment. He completed Tasks 1-3 below. However, due to resource constraints, no economic leakage, markets and supply chain analysis was conducted, nor was a gender analysis or livelihood assessment. The results were compiled in a report and shared prior to the planning conference with members of the Partnership Group. A summary of the results was also presented during Day 1 of the planning conference to set the context.

Task 1: Collect and review research and analysis already completed

Collecting data is the first step of an analysis to help local governments develop local economic development strategies in a participatory way. Besides accessing data and documents at different public institutions, data collection was planned as a participatory process to involve community members by asking their ideas and perceptions about problems and opportunities their city face.

Task 2: Create a local area economic profile

Task 3: Conduct assessments and analyses

Not all the analysis identified in the ToolKit were utilized. However, surveys were conducted as was a competition analysis and a SWOT analysis. The business and local resident attitude survey identified basic issues including perceived problems and opportunities. Tool 3c in the ToolKit was adapted from this survey. The competition and collaboration analysis identified key economic players and markets. All the work was summarized in a SWOT Analysis (Strengths, Weaknesses, Opportunities, Threats) and a summary is shown below. An economic leakage, markets and supply chain analysis was not conducted, but it was included as part of Implementation strategy as a critical information gap to be filled.
**Where Are We Now?**

**Step 3: Situation Analysis**

**Strengths**

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>A positive and famous image on a national level</td>
<td>Lack of town promoting materials</td>
</tr>
<tr>
<td>Urban centre with inter-communal services</td>
<td>The town has an unattractive overall aspect (cleanliness, houses exterior aspect, flowers, lack of public facilities)</td>
</tr>
<tr>
<td>Commercial interest centre – weekly fair</td>
<td>Lack of market studies to capitalize local resources</td>
</tr>
<tr>
<td>Labour force with graduate and undergraduate studies</td>
<td>Lack of qualified farming engineers, agronomists</td>
</tr>
<tr>
<td>A stable labour force</td>
<td>Lack of economical activities with a high added value.</td>
</tr>
<tr>
<td>The existence of the Zonal Employment Agency</td>
<td>Lack of placements/ working opportunities for certain categories (e.g., young or, disabled people)</td>
</tr>
<tr>
<td>Traditional/ specific foods: curds, sour milk, confiture.</td>
<td>Low orchard productivity</td>
</tr>
<tr>
<td>Ecological orchards and fruit production</td>
<td>Lack of agricultural associations</td>
</tr>
<tr>
<td>Sheep and horned cattle stock</td>
<td>Lack of agricultural product /yield processing units</td>
</tr>
<tr>
<td>Considerable honey production</td>
<td>Lack of information for the agricultural producers</td>
</tr>
<tr>
<td>Tradition /craftsmanship (pottery, carpets, wickerwork)</td>
<td>Lack of producers and craftsmen’s associations</td>
</tr>
<tr>
<td>An increasing number of tourists during the summer</td>
<td>Lack of tourist services, low standards and low diversity</td>
</tr>
</tbody>
</table>

**Opportunities**

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing monastic tourism (a Monastery Tour)</td>
<td>The decline of local mining industry</td>
</tr>
<tr>
<td>Organizing events/existence of monuments (The Horezu Cock, Hurez Monastery)</td>
<td>The political environment — the influence of politics on certain decisions taken by County Council</td>
</tr>
<tr>
<td>The existence of programmes run by National Ministries</td>
<td>Frequent and contradictory changes in legislation</td>
</tr>
<tr>
<td>The existence in Valcea county of firms, which produce natural foods (e.g., SANOVITA)</td>
<td>Capitalizing existing natural resources outside the local market, with no benefit to the local community</td>
</tr>
<tr>
<td>People born in Horezu who have reached a influential positions both in the economic and social life.</td>
<td>Competition with the new urban centres, Berbesti and Babeni, to attract investments</td>
</tr>
</tbody>
</table>
Step 3: USER NOTES...
Module Two: Where do we want to go?

Step 4: Visioning
Step 5: Objectives

Overview

Envisioning "Where do we want to go?" is one of the most inspiring and motivating exercises of a strategic planning process. By grounding the visioning process with information from the situation assessment, communities can dream the attainable. Then, developing objectives represents a translation of the vision statement into substantial and specific goals, which are able to guide practical decision-making.
Step 4: Visioning

Learning Objectives

- To understand the strategic visioning process
- To be able to conduct a strategic visioning process

Understanding Visioning for Economic Development

What is in a Vision?

The economic vision begins to answer the question: “Where do we want to go?” It is a snapshot of the desired future. In a general way, it outlines the core values and principles that are central to what the local residents want their local area to become. The vision statement answers the question, “Why?” in broad, clear terms. While the visioning process is in itself creative, where the future is imagined, it should be grounded in the knowledge gained from the Situation Assessment and SWOT analysis (Step 3) conducted earlier in the planning process. A good vision has the following characteristics:

- It describes only what the future will look like and does not include steps or actions on how to get there;
- It is positive and inspiring;
- It is realistic, credible and attractive;
- It focuses on outcomes, not simply the elimination of problems;
- It is based on local values and reflects the local area’s strength and diversity; and
- It is created, supported and shared with as wide a cross-section of the public as possible.

In inspiring visions make use of words, pictures, images and metaphors to communicate enthusiasm and arouse excitement.40

Why develop a vision?

Visions are an important way to harness the power of the mind. By imagining an ideal future while considering the current reality, tension is created. As human beings, we respond to this tension with an impulsive desire to close the gap.41 A clearly articulated vision statement provides a continuous

Where Do We Want to Go?

• STEP 4: VISIONING

Where Do We Want to Go?

A Note on Visioning

While it is important to have a vision and be able to communicate a common end point, be careful not to use too much of the participants’ energy and time, or your own budget, on this step. It is easy to get sidetracked here, and then not have enough resources or participant enthusiasm for the more concrete decision-making steps that are discussed in Steps 5-8. In many situations, it might be helpful to return to the vision as objectives and actions are developed. In this way, it is possible to move quickly past the visioning step, knowing that you will return to it later, and ensure that objectives and actions help ground the local area’s vision in reality.

point of reference to keep closing the gap and keep the process heading in a desirable direction. Developing a vision statement should be a positive experience that paves the way for a successful process. As a general expression of values, visioning provides an opportunity to think in broad, general terms about the future. Developing the vision provides opportunities for dialogue, learning and awareness-raising. This process begins to link people and organisations within the local area in planning for the future, helping them understand one another’s values and priorities. A powerful vision can take on a life of its own, creating enthusiasm and support for economic development initiatives. Finally, the thoughts generated during a visioning process can also be used to structure the real decision-making framework: Objectives (discussed in Step 5).

Vision Time frame

When developing a vision, it is essential to ask: “What do we want the local economy to be like in the future?” The time frame for this future will need to be specified to help guide the process. Often 3-5-10-year time frames are selected to keep the vision realistic and to allow for successes to be measured; these also might reflect practical constraints imposed on the plan (e.g., politicians’ terms in office). Shorter time frames can be helpful because it is important to get tangible results on the ground and address urgent needs.

However, constraining the period also tends towards reward-seeking and limits the ability to make long-term investments or achieve structural and institutional change. Certainly, shorter or longer periods can be planned for, depending on the level of transformation or development hoped for. Often, a phased approach is a good way to approach local economic development, with both short-term and some long-term visions. If done well, the LED strategy will become institutionalized and live on through the changes in bureaucrats, politicians and local leaders (institutionalisation is discussed in Step 8).
Local Participation in Visioning for Local Economic Development

The visioning process is an opportunity to open the process up by involving more local residents and businesses, rather than just key stakeholders. Not only will broader inclusion help ensure that the vision captures local values, it is a chance for some stakeholders to participate early in the process without a large time commitment and to keep the local area residents and businesses informed about what is happening. This could be useful later in the process by helping to avoid “road blocking” from those who are surprised by the local economic development strategy or those who felt entirely left out of the process. One technique is through a two-way, iterative process of soliciting information from local area residents and businesses, but also sharing information with them from the Step 3: Situation Assessment that might lead to new or independent ideas and action. At this level, agreement is more possible and will help the economic development plan to reflect the range of local needs and priorities while building local commitment to the planning and implementation process.

Case Reference 14: Local Area Economic Development Vision Statements, Mexico and USA

“A municipality with a high quality of life and plenty of opportunities. A local area that is participative, democratic, honest, responsible, entrepreneurial and constantly looks for its integral development. A municipality in harmony with its environment, with a diversified economy and efficient services where the human dignity and the universal rights are respected.”


“Greater Bakersfield is a local area with a well-balanced economic base that provides diverse and stable employment opportunities with private and public sectors working together to enhance economic vitality. We are a local area that provides entry level and vocational opportunities while developing our workforce to meet the changing needs of a dynamic economy. Our business-friendly local area embraces well-planned economic growth and encourages a broad range of high-quality employment and entrepreneurial opportunities.”


Facilitating the Visioning Process

The development of a strong vision is greatly enhanced through a facilitated group process that invites stakeholders and the broader local area to participate. The facilitator can provide the needed skills to balance the range of perspectives of the group and facilitate consensus-building around a common
vision. The facilitator should encourage creative freedom in the group and inspire people to think in specific terms about what they hope future generations will be able to experience and enjoy. This can be an important starting place for generating the vision, where each problem identified can then be addressed with “What would you like to see instead?” or “What would be better?”

How to Develop a Vision for Local Economic Development

There are many ways to generate a vision statement. The five steps below describe one useful method (see Tool 4a):

Task 1: Review the SWOT Analysis and other work done during Module One.
Task 2: Solicit answers to the following questions using a variety of means such as workshops, focus groups or through surveys (note: surveys are a good opportunity to invite wide public participation):
   - What would you like the local area’s future to become?
   - What are the most important economic aspects of the desired future (e.g., jobs, income, poverty reduction, etc.)?
   - What is different about your vision of the future from what you see today?
Task 3: Collect and group similar ideas.
Task 4: Get agreement on themes and have the facilitator or someone from the group “wordsmith” one or two vision statements for approval at later workshops/meetings.

This exercise can also be used as a launching point into an issues analysis.
Case Reference 15: Creative Visioning, Philippines and Romania

Do not be afraid to integrate creative methods in vision development. For example, in Guimaras, Philippines, the lights were turned down and participants were asked to close their eyes and envision in their mind’s’ eye the economic future they would like to see. Then they were asked to write down descriptive words that portrayed this vision.

In Romania, participants were divided into groups and given a piece of paper in the shape of a petal of a flower. Each group was asked to draw a picture of an aspect of their desired economic future. Some words were also allowed. The petals were combined to form a flower and as participants described the pictures, notes were taken that led to the development of the economic vision for Horezu. Also in Horezu, Romania, the children at the local school were asked to participate in the visioning by painting their vision of Horezu’s economic future. These paintings were shown to the participants before the three-day workshop began.

Step 4: Visioning

Task 1: Review the SWOT Analysis and other work done during Module One.

The participants were given a presentation of the Situation Assessment between 9.30 and 10.30 a.m. to set the context for the workshop. This included the SWOT analysis.

Task 2: Solicit answers to the following questions

A. What would you like the local area ‘s future to look like?
B. What are the most important economic aspects of the desired future (e.g., jobs, income, poverty reduction, etc.)?
C. What is different about your vision of the future from what you see today?

Task 3: Collect and group similar ideas

From 11:00 a.m. until 12:30 p.m., the participants of the planning conference were presented with the tasks for developing a vision and then worked in several breakout groups. Creatively, the FPDL facilitators gave each breakout group a large piece of paper in the shape of a flower petal. This creative approach emphasized using the non-analytical part of the brain and also stimulated group interaction. The answers to the questions above were grouped then drawn as both words and pictures on a petal in preparation for presentation back to the group. During presentations FPDL facilitator captured the key words on flip chart paper.
Step 4: (continued)

It was also suggested that the drawings from children’s painting competition could be hung up around the conference to remind conference participants that the future they are planning is for them.

Task 4: Get agreement on themes and have the facilitator or someone from the group “wordsmith” one or two-vision statements for approval at later workshops/meetings.

During the lunch break, FPDL facilitators in collaboration with members of the planning team reworded, or “wordsmithed”, the results that were presented. Using the participant’s own language, the facilitators developed a “Draft Vision” which was presented to the group and modified based on their observations, on the spot. After the lunch break, vision statements were presented in plenary. With some changes a consensus was reached on its final form. The final vision statement is shown below.

Vision Statement for Horezu

“Our vision is that in 2008 Horezu, our city, is a dynamic city, accessible to all those interested. Horezu plays an increasing role in its micro-region due to the high quality services it provides.

Through a balanced use of its resources, Horezu has gained national recognition and is known internationally for: ecotourism and cultural tourism, crafts and non-polluting industry, ecological agriculture and continuous education. The spiritual and religious historical prestige as well as the beauty of its mountains attracts tourists, as do local natural products. Producing pottery and honey, animal breeding are traditional occupations practised with modern technologies, these knowledge and skills being also subject of know-how transfer.

Horezu is an open community, harmoniously united and vibrant, in which people learn and are able to help others learn. Already a successful registered trade mark, Hurezi rooster’s song of shining victory is heard everywhere.”
Step 4: USER NOTES...
Step 5: From Issues to Objectives

Learning Objectives

❑ To understand how to define realistic objectives
❑ To understand how to structure and use objectives

Understanding Objectives

What are Objectives?

An objective is formed by converting issues and concerns, problems and opportunities into succinct statements. This is done by using a verb that describes a direction of preference (more/less) and a noun that describes the object of importance: (e.g., “Encourage Employment Opportunities” or “Reduce Poverty”). Identifying a full range of objectives helps to avoid making unbalanced or poor decisions and establishes a way to incorporate stakeholder interests into the planning process.

❑ Fundamental questions facing any LED process are: “What is important about local economic development?”, “What matters?” and “Why do we want to do this or that?” The answers to all these questions are the Objectives.

Objectives are the basis for generating and designing strategy options and provide decision criteria for their evaluation. They act as a checklist to make sure that strategy options being designed actually address local area values.

❑ Objectives clarify directions of preference that can be compared and traded off (a little more of this for a little less of that).

Why do objectives matter?

Objectives are the framework of the LED Strategy. They define priorities for economic development and are the basis upon which to decide what actions are ultimately taken. Objectives guide the design of strategy options and allow for evaluation of those options. Objectives provide a basis for making tradeoffs and building real consensus – the core of decision-making. After all, actions are taken to achieve objectives, so not only is it wise to be clear about what your objectives are, but it is also a good idea to monitor and evaluate

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42 For more detailed discussion on objectives, see Keeney, 1992.
how well the chosen actions are satisfying these objectives (monitoring and evaluation are described in Step 9). In the absence of clear and complete objectives, arbitrary, limited or short-term decision-making might underutilize limited resources.

Where do objectives come from?

Objectives should reflect the current planning context, as established through the situation assessment described in Step 3, and link it to the desired future or vision of the LED project established in Step 4. Objectives are generated by closely examining the triggering event, important issues, desires (e.g., through a wish list), existing or potential problems, opportunities, actions and other aspects of the economic development challenge. If properly defined, objectives will make all the subsequent work easier and more effective.

Common pitfalls when developing objectives

Four common pitfalls to avoid when creating a set of objectives include:

- Omitting certain stakeholders’ interests;
- Not creating objectives that are concise, clear, measurable and practical;
- Creating objectives outside of the influence or control of the stakeholder partnership group (however, consider expanding the group or bringing in expertise); and
- Creating objectives that are repetitive.

If the set of objectives is incomplete or some stakeholders’ interests are not represented, sub-optimal strategies that have a lower probability of successful implementation are bound to be generated in the next phase of the process. Furthermore, alienation of stakeholders due to omission of their issues and interests might have a negative impact on the process later on. In addition, poorly defined objectives might confuse the participants and delay the process, rather than promote clear discussion. The indicators developed should be both legitimate and practical. For example, scientific findings, professional standards or legal precedent might be agreed to by all stakeholders as possible sources of indicators to pragmatically measure the objective. Expert judgment and defining inherent uncertainty might also be used where data gaps exist. One way to test for objectivity is to ask if both sides would agree to be bound by those standards.

To help frame the decision, objectives must also be controllable. There is no sense in developing an objective to “increase the number of sunny days to promote tourism” if there is no action that the local area could take
to change the number of sunny days. Finally, avoid repetition of objectives to keep the strategy clear, and avoid double-counting of consequences from proposed actions.

Examples of Strategic Objectives for Local Economic Development

_Foster Local Government Capacity and Leadership_

Local government will likely be involved to some extent in economic development. Therefore, their ability to lead, administer and apply good governance principles to LED is very important. Improving the capacity of local government in the area of strategic planning, participatory decision-making, finance, public services, land-use planning, negotiation, housing and other core areas might be one of the keys to success in LED, but it will also have many applications in other areas of development.

Reduce Poverty

Poverty reduction as a local economic development objective will need to be attacked on a broad front. As discussed in the Overview, poverty is a national challenge in many countries, and it requires a national solution. Actions for local governments to consider are working cooperatively to address local issues and working effectively with regional and national governments on a cohesive national policy. Working with the poor to organise and participate in creating solutions to their problems can often be the most effective local action. A more coordinated approach at the local level might be action that generates appropriate employment, particularly for the poor. Health, social services, education, training and placement assistance must be incorporated into any plan for poverty reduction (see Action 1: Local Government Policy and Regulation; Action 3: Demonstration Projects; Action 13: Micro and Small Enterprise Development; Action 16: Clusters; Action 19: Development Linking; Action 21: Cooperatives; Action 22: Partnerships; Action 24: Micro-Credit; Action 28: Support of the Informal economy).

Maximize Natural Capital

The protection, maintenance and utilization of natural capital are critical to establishing a framework for local economic development that is sustainable in the long term. The protection of living systems, the sustainable extraction of natural resources and the maintenance of ecosystem services are central to promoting a sustainable economy in both the goods and services sectors. For example, in resource-based economies, the protection of natural capital (e.g., forestry products, fish stocks) is an investment in the long-term health

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43 Some of the material in this section was adapted from Lyons, T. and R. Hamlin 1991.
of the industry. Service economies, such as sustainable tourism, also require natural capital (clean water, “pristine” landscapes, wildlife) for their development and growth (see Action 1: Local Government Policy and Regulation; Action 17: Eco-industrial Parks; Action 22: Partnerships; Action 29: Sustainable Tourism).

Reduce Income Disparity

Income disparity has been cited as one of the primary drivers of many unwanted social ills, such as crime and violence, and it can be directly addressed through a local economic development strategy. Skills training, progressive tax policies, capacity-building initiatives, a focus on local competitive advantages, and developing the informal economy are all useful ways to address disparities of income, particularly among the most impoverished (see Action 1: Local Government Policy and Regulation; Action 12: Skills Training Center; Action 19: Development Linking; Action 28: Support of the Informal economy).

Improve Decent Work Opportunities

Effective job-creation strategies focus on specific occupations and industry sectors rather than the random pursuit of jobs. Attracting businesses that match the skills of the local labour pool and adding value to local resources are more productive than going after businesses that must look outside the area to recruit qualified workers or must import many raw materials. The idea of “Clustering” is often used to achieve this objective (see Action 1: Local Government Policy and Regulation; Action 7: Upgrading Local Business Areas; Action 8: LED Publications; Action 11: Incubators; Action 12: Skills Training Center; Action 15: Physical Infrastructure Investment; Action 16: Clusters; Action 18: Town Center Upgrading; Action 22: Partnerships; Action 26: Foreign Direct Investment; Action 27: Local Investment).

Encourage Local Business Development

One problem with attracting outside business for job creation is that it might give new businesses an advantage over existing ones. One job retained will benefit the local area as much as one new job created. A useful approach might be to couple technical support and job-training programmes with entrepreneurial initiatives to create a skill pool for businesses to draw upon. An “even playing field” that encourages fair competition, and business development in general, not just new businesses, is important. It is wise to avoid protectionism that might be harmful to the local economy in the long run. (See Action 1: Local Government Policy and Regulation; Action 4: Research and Analysis; Action 6: Local Procurement/Buy Local; Action 11: Incubator; Action 12: Skills Training Center; Action 21: Cooperatives; Action 22: Partnerships; Action 24: Micro-credit; Action 25: Local Currency; Action 28 Informal economy.)
Retain Wealth within the Local Area

Retaining wealth to circulate in the local area is a core issue for local economic development planning. Wealth can leave a local area in many ways, such as when local residents spend their income outside the local area. Retaining wealth should focus more on promoting local savings, investment and entrepreneurship rather than on promoting growth from the outside. (See Action 1: Local Government Policy and Regulation; Action 6: Local Procurement/Buy Local; Action 22: Partnerships; Action 24: Micro-credit; Action 25: Local Currency; Action 28: Informal economy.)

Increase Economic Stability – critical for small and medium-sized businesses

An important economic development objective is to promote economic stability, which is extremely helpful for small and medium-sized businesses. A small business typically needs about six years of successful operation before it stabilizes. These same businesses have a tough time getting started in a highly cyclical local economy. An economic stability objective, therefore, might be to support sales and employment in sectors not affected by the dominant economic cycles influencing the local area. Business incubators and other actions can support this objective. (See Action 1: Local Government Policy and Regulation; Action 6: Local Procurement/Buy Local; Action 11: Incubator; Action 12: Skills Training Center; Action 13: Micro and Small Enterprise Development; Action 21: Cooperatives; Action 22: Partnerships; Action 24: Micro-credit; Action 28: Informal Economy.)

Increase Economic Self-Reliance

One way to retain wealth and promote economic stability is to promote local self-reliance. Clearly, total self-reliance is seldom possible and often not desirable. In fact, making ties with the outside world to generate exports is one of the objectives of local economic development. Local area self-reliance really means minimizing imports from other places outside the local area by first relying on local production of goods and services. (See Action 1: Local Government Policy and Regulation; Action 8: LED Publications; Action 6: Local Procurement/Buy Local; Action 22: Partnerships; Action 27: Domestic Inward Investment.)

Increase Economic Diversity and Resilience

Key tradeoffs are often made between focusing on a few specific strengths and working towards an economy that is diverse and resilient. Depending too much on one industry or market makes for a less resilient economy when downturns occur. Incorporating this objective might lead to a more balanced economy.
strategy. (See the full listing of options in the **Actions** document and consider pursuing a broad mix.)

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**Case Reference 16: Objectives for Economic Development, South Africa**

Alexandra, South Africa, is a township of 350,000 people near Johannesburg. It faces severe poverty but maintains a robust local area pride. In an effort to address some of the most pressing issues facing the local area of Alexandra, the national, provincial, and local governments began a collaborative effort called the Alexandra Renewal Project in 2001; the project is still ongoing. The broad vision is to upgrade living conditions and human development within Alexandra. The Local Economic Development objectives are to:

- Create jobs within Alexandra and the wider regional economy;
- Increase the number and size of small enterprises owned and managed by Alexandra entrepreneurs;
- Create productive economic linkages between Alexandra and the wider regional economy;
- Improve and diversify the skills of Alexandra residents to enable them to participate in the economy; and
- Increase the stability and growth prospects of the local and regional economy.

**Alexandra Renewal Project:**

[http://www.alexandra.co.za/focus_ecol/led_plan.htm](http://www.alexandra.co.za/focus_ecol/led_plan.htm)

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**How to Set Objectives**

Setting objectives might take longer than expected. However, spend time to ensure that objectives are complete, concise and controllable. Well-constructed objectives will not only provide direction for decision-making but also a framework for monitoring and evaluating how well-chosen actions fulfill the local area’s vision of the future. The following six tasks define how to set objectives:

- **Task 1:** Identify key issues (concerns, problems, challenges, opportunities)
- **Task 2:** Assess issues (distinguish: cause – effect – outcome)
- **Task 3:** Restate issues as succinct statements of objective
- **Task 4:** Organise objectives: separate means from ends, actions from objectives

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45 Additional examples of various LED programme and project types that promote local economic diversity and resilience are available at the World Bank LED Programme and Project Options Web site: [http://www.worldbank.org/urban/led/implmenting.html](http://www.worldbank.org/urban/led/implmenting.html)
Task 5: Develop SMART indicators of performance (Specific, Measurable, Appropriate, Realistic, Time-dated)

Task 6: Prioritize objectives

Task 1: Identify key issues

The first task in setting objectives is to review the local area’s vision together with the situation analysis. This task addresses the question: “Given existing conditions, what can we do to realize our vision?” To develop a list of objectives that take into account both the vision and the reality of the economic environment, consider posing the following questions:

- Why do we want to undertake local economic development?
- What was the “triggering event”?
- What opportunities are opening up?
- What problems do we face in developing economically?
- What might economic development actions adversely impact?
- What can local economic development help address in our area that is important to us?
- What can we realistically achieve in 3-10 or 10-20 years?
- What weaknesses do we need to overcome?

Identifying key issues is a good opportunity to let the stakeholders “unload” their thoughts and concerns about economic development to get everything out on the table. This should be highly participatory. The benefit of using brainstorming is that it is non-evaluative: anyone can contribute any idea to the list without fear of ridicule, or having his or her idea immediately rejected. Exercises that encourage independent thinking combined with group contributions are often a productive way to initiate this task (see Tool 5a). The challenge for the facilitator, to be undertaken in later tasks, will be to make sense of the “issues chaos,” graphically depicted in Example 3, by grouping ideas, putting higher-level and lower-level issues together and separating means from ends.

Focusing on the issues and on stakeholder interests is based on experience from the disciplines of negotiation and conflict resolution. The issues provide the foundation and framework for generating objectives and creating viable strategy options. Decision science provides many good approaches to help us structure these issues into objectives that help to evaluate the options and, later, support negotiation and agreement. Doing a good job of assessing the issues helps to separate people from the problems, the facts from values and perceptions. Issue identification is critical to a successful process.

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47 See Keeney, 1992. Value Focused Thinking.
Example 3: Identify local-area economic development issues

(Use independent thinking and brainstorming.)

Task 2: Assess issues

Once you have identified the “raw” issues, it is useful to delve more deeply into the “Why?” behind the issues. Why is the issue important and how does it relate to local economic development? At this point, we can use objectives to begin the process of separating means from ends and underlying causes from potential effects, further developed in Task 3 of Setting Objectives. Keep asking “Why?” until the cause and effects of an issue are well understood. Two to five “Why?” questions might have to be posed to identify systemic cause-effect relationships. While conducting this exercise, answers might converge, making it apparent that many issues have a common cause.

In the example below, Approach A undertakes a simple process to distinguish the action, the means objective and the strategic or end objectives. In Approach B, these distinctions are not made and the process would suffer as a result.

A Note on Actions and Issues

One common challenge at this point in the process is to not get sidetracked with actions. While the facilitator should encourage the group to focus on issues rather than actions, this might not be possible. Rather than cut people off, use the action as a way to understand the more fundamental reason why they want to undertake the actions, thereby identifying the objective (see example below). This will open the process to more creative solutions during Step 6.
To ensure that each objective is well considered, ask:
- Why is this issue important?
- Is it consistent with the vision?
- Is it linked to LED?
- Does it reflect facts about the internal and external economic context?

**Example 4: Two approaches for assessing issues and developing objectives**

**Approach A:**

**Recommended Approach:**

Separate means from ends

**Facilitator:** I see that the issue of garbage trucks has been identified. Please elaborate.

**Participant:** The problem is the local government won’t buy more garbage trucks. We need more garbage trucks; I would say at least three.

**Facilitator:** Why is that important?

**Participant:** Garbage is lying all over the side of the road downtown. Everybody throws litter onto the street.

**Facilitator:** Because this process is focused on economic development, could you explain why that is important for LED?

**Participant:** It is unsightly and an embarrassment. It scares business and people away from downtown. It is a waste of resources, as we don’t recycle anything. Besides, there are business opportunities in waste collection. It is also a health issue. You see, we need more trucks to pick up this garbage.

**Facilitator:** What I am hearing you say is that garbage collection, or solid waste management in general, including recycling, is a problem in the downtown. If we address that, we will have improved public health and be able to attract more businesses, tourist and residents to the city center. One possible action is to purchase more garbage trucks. Is that correct?

**Participant:** Yes.

*Later, as part of Tasks 3 and 4*

**Means Objective:**

- Improve solid waste management (possible impact measures: amount of visible garbage/litter, leaching from dumpsite, recycling opportunities)

**Strategic LED Objectives:**

- Improve quality of downtown to attract more business, tourists and residents (impact measure: number of visitors and businesses to downtown)
- Encourage decent job opportunities
By thinking strategically and establishing the higher-level strategic objectives or end conditions as shown in Approach A, the process remains open for more creative ways to address the objective without foreclosing on possible action opportunities (see Step 7: Strategy Options). For example, a public-private partnership might be a good strategy option for garbage collection, or perhaps hand-carts might be a cost-effective option. In Approach B, the identified issue is not assessed and action opportunities are foreclosed, leaving only the option of purchasing more garbage trucks.

Using Common Cause Analysis (Pareto Analysis) to initiate an issues assessment

Another good starting point for an issues assessment is with a common cause analysis, also called a Pareto analysis.148 Basically, a Pareto analysis is a way to help determine where the greatest opportunity for improvement exists. The analysis first groups problems and issues and then ranks them. It is based on the notion (the Pareto principle) which states that most of the effects (80 per cent) come from relatively few causes (20 per cent). Causes that appear frequently and contribute to different problem areas are important to understand because they might indicate interventions that can leverage multiple beneficial impacts on the strategic objectives. For example, causes that contribute to the outcome measures of poverty and quality of life often indicate

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148 Vilfredo Pareto was an Italian economist in the second half of the 1800s.
the barriers to social change and denial of basic rights which sustain high
levels of poverty and exclusion. Questions to consider are:

- What are the largest, most important and most frequent
  issues facing our local area?
- What core sources (20 per cent) are causing most (80 per
  cent) of the problems?
- Where should we first focus our efforts to achieve the greatest
  improvements?

However, at this early point in the issues assessment, it is important
to use common sense. Just because a certain problem occurs most often
does not necessarily mean it demands the greatest attention. Investigate all
angles to help solve the problems. Consider follow-up question such as:

- What will it cost to correct the problems?
- What will it cost if we don’t correct this problem?

Once issues are organised and assessed with a Pareto analysis,
think about how to restate these issues as succinct statements of objective
(See Task 3).

Using influence diagrams to assess issues

Another challenge in assessing issues is to understand the link between
cause and effect, and how this might relate to LED. For example, in Zambia,
the participants of a field-testing workshop of this manual identified “Street
Kids” as an LED issue. Street Kids are youth either orphaned or who choose
to live on the street due to difficult situations at home. They often form
groups or gangs; they face many risks from health to individual secu-
rity and are associated with rising crime.

By examining this issue as a group, the participants discovered
many related issues including crime, unskilled labour, underemployment, a
large informal sector, low government revenue, low individual income, dis-
attraction of businesses to the downtown and illiteracy. The group agreed
that the fundamental event for all these issues was that 15-20 per cent
of children had no access to schools. We used an influence diagram to analyze
this issue, shown below in Example 5.

After understanding the influencing factors and the links to LED,
three strategic objectives resulted: encourage business retention and attrac-
tion in the downtown, improve local incomes and improve local government
revenue. With an understanding of the causal factors, the participants were
able to move beyond action with only near-term impacts and suggest action
that will have medium- and long-term impacts. These actions would be put
in the “parking lot” for evaluation during step 6.

---

49 Care International. 2002. CARE Household Livelihood Security Assessments: A Toolkit for Practitioners, Prepared for the PHLS Unit by:
TANGO International Inc., Tucson.
Example 5: Using an Influence Diagram in Issues Assessment – Lusaka, Zambia

![Influence Diagram]

**Example 6: Organizing issues and restating them as objectives**

<table>
<thead>
<tr>
<th>Participants Comments</th>
<th>Grouped and restated as an objective</th>
<th>Participants’ Comments</th>
<th>Grouped and restated as an objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>“We need more garbage trucks. Garbage collection is poor. The dumpsite is terrible; it smells and pollutes. There is no recycling!”</td>
<td>Improve solid waste management</td>
<td>“We need micro-credit for the poor, micro enterprises and small businesses. We should look into a financial cooperative. We need access to capital and credit.”</td>
<td>Improve access to financing</td>
</tr>
<tr>
<td>Poor image of city. City center is dirty and unsafe. No place to gather in city center.</td>
<td>Attract people and business to the city center</td>
<td>Government is incapable and corrupt (low capacity in government). Low tax revenue, LGU has no money to improve services or infrastructure. We need one-stop shop for permits. Reduce permitting fees! Complicated regulation.</td>
<td>Improve local government administration and governance</td>
</tr>
</tbody>
</table>
Task 4: Organise objectives: separate means from ends, actions from objectives

The final list of objectives should be what matters. If an objective is not on the list, it cannot be significantly affected by economic development or it is not important. Identifying higher-level and lower-level objectives requires contextual information, creativity, a common understanding and strategic thinking. Therefore, when groups work to develop objectives, it is helpful to use a facilitator to guide the process. As each objective is discussed it is wise to ask:

- Why is this objective important to our economic development vision?
- What is the relationship (actions from means objectives from strategic end objectives)?

These aspects are important, as objectives can also provide the basic set of criteria for monitoring ongoing performance. Three tools that might be helpful in this task are: 1) an objectives means-end diagram, 2) an objectives list, and 3) an issues to objectives matrix' presented as examples below. Such tools can be used to organise and classify comments and issues that have been identified as objectives, indicators or possible actions (see Tool 5a). Creating indicators is discussed in the next section and developing strategies is discussed in Step 6.
### Example 7: Objectives Means-End Diagram

<table>
<thead>
<tr>
<th>LED Supporting Objective (or means objective)</th>
<th>LED Strategic Objective (or end objective)</th>
<th>Consensus LED Vision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Streamline and improve regulations &amp; permitting, tax collection, transparency, participation</td>
<td>Improve information and communication</td>
<td>Reduce local poverty</td>
</tr>
<tr>
<td>Improve solid waste management</td>
<td>Add value to local resources</td>
<td>Improve local government administration and governance (capacity)</td>
</tr>
<tr>
<td>Attract people and business to the city centre</td>
<td>Improve or create local organizations / associations</td>
<td>Diversify and support local commercial opportunities (tourism, agriculture, pottery/crafts, SME)</td>
</tr>
<tr>
<td>Improve information and communication</td>
<td>Improve local business &amp; government capacity (skills training)</td>
<td>Improve the image and attractiveness of the city center</td>
</tr>
<tr>
<td>Add value to local resources</td>
<td>Improve access to financing</td>
<td></td>
</tr>
<tr>
<td>Improve or create local organizations / associations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve local business &amp; government capacity (skills training)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve access to financing</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Parking Lot* for related possible actions resulting from brainstorm for use in Step 6
- One stop shop concept
- Reduce permit fees
- Buy more garbage trucks

Existing sectors, both formal and informal: Agriculture, Tourism, Micro-Small and Medium Businesses, Tourism, Pottery & Crafts, Local Government and Non-Governmental Organizations (NGOs), Street vendors

---

### Example 8: Objectives List (Strategic Objective; Means or Supporting Objective)

1. **Improve Administration and Governance**
   1.1 Improve efficiency in business permitting
   1.2 Improve tax collection
   1.3 Increase number of registered businesses

2. **Reduce Poverty**
   2.1 Organise / create informal sector associations
   2.2 Target skills training on low-income and informal sector
   2.3 ____________________________

3. **Promote Youth Job Opportunities**
   3.1 Encourage youth business skill training
   3.2 ____________________________
   3.3 ____________________________

Summarised from issues session
Example 9: Issues to Objectives Matrix

<table>
<thead>
<tr>
<th>Issue</th>
<th>Description and link to LED</th>
<th>Means Objective</th>
<th>Possible indicator</th>
<th>Key data gaps that would help inform LED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government business permitting</td>
<td>Inefficient, corrupt and expensive business permitting system that deters new businesses and pushes entrepreneurs into informal economy</td>
<td>Improve efficiency in business permitting</td>
<td>Level of business satisfaction (business survey)</td>
<td>What systems work in other jurisdictions?</td>
</tr>
</tbody>
</table>

“Parking Lot” for related possible actions resulting from brainstorm for use in Step 6
- one-stop shop concept
- reduce permit fees

Taxes
- Hard on new start-up businesses
- Too complex

<table>
<thead>
<tr>
<th>Means Objective</th>
<th>Possible indicator</th>
<th>Key data gaps that would help inform LED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simplify taxes</td>
<td>Level of business satisfaction (business survey)</td>
<td>None</td>
</tr>
</tbody>
</table>

“Parking Lot” for related possible actions resulting from brainstorm for use in Step 6

Task 5: Develop SMART indicators

An indicator (e.g., number of jobs for targeted marginalised groups) is directly linked to its objective (e.g., increased employment opportunities for targeted marginalised groups) and is impacted by the strategy actions undertaken (e.g., micro-enterprise development programme for targeted marginalised groups). The purpose of the indicator is to reflect the achievement of objectives.

It is important for the evaluation of objectives to be measurable, to help decision-making and to monitor the success of actions. Indicators assist in decision-making by providing a way to evaluate possible actions or strategies. Once the strategy has been chosen, indicators support the monitoring and evaluation (Step 9) phase of a project by helping to gauge if the strategy is actually achieving what was expected.

Indicators should

- Be clearly linked to an objective;
- Clarify scale and impact of actions;
- Indicate content and direction for future action;
- Use information that can be obtained within the period of time defined by the plan (survey, statistics, expert judgment); and
- Be responsive enough to be able to measure progress within the time period.
Objectives are often not easy to measure, either because there is no data available or they require a more qualitative approach. It is not advisable, however, to disregard the objective or the indicator (recall data bias discussion in Step 3). For example, when a clear, “natural” measure for an objective is readily available (e.g., number of jobs), strategy options might be favoured that pay more attention to the formal economy where this data is easily collected. However, informal jobs or income might be more important, but more difficult to measure because job rates are not officially recorded in the informal economy. In these cases, where clear indicators are not available, qualitative- or quantitative- constructed scales (high-medium-low), in combination with expert judgment, can be used. Proxy measures might also be helpful. The table below discusses three types of indicators:

<table>
<thead>
<tr>
<th>Three Types of Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Natural Measure</strong></td>
</tr>
<tr>
<td>Often official statistics are kept on economic indicators and will reflect how well an objective is being met.</td>
</tr>
<tr>
<td>Example: number of jobs</td>
</tr>
<tr>
<td><strong>Constructed Scale</strong></td>
</tr>
<tr>
<td>When hard data is not available, constructed scales are useful. The data can be gathered through surveys or structured interviews with experts.</td>
</tr>
<tr>
<td>Example: High (describe) – Moderate (describe) – Low (describe) (e.g., formal/informal sector conflict levels as measured in survey)</td>
</tr>
<tr>
<td>These scales can also be quantified on a 1-10 scale, for example, 10 being “High” and 1 being “Low.”</td>
</tr>
<tr>
<td><strong>Proxy Measure</strong></td>
</tr>
<tr>
<td>Used when a measurable indicator is available that adequately reflects how well an objective is being achieved though it is only indirectly related to the objective.</td>
</tr>
<tr>
<td>Example: economic stability can be measured using migration statistics or housing vacancy rates.</td>
</tr>
</tbody>
</table>

The above process ensures that the original objectives (again, what is important and why you are planning for economic development) are in workable form, realistic, attainable, and that progress can be measured along the way through quantifiable indicators. Below is a SMART checklist to assist in ensuring that your objectives will be measurable and achievable:

<table>
<thead>
<tr>
<th>When setting objectives be “SMART”</th>
<th>✓</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>S</strong> Specific</td>
<td>Does the objective state precisely, in simple terms, what is to be achieved?</td>
</tr>
<tr>
<td><strong>M</strong> Measurable</td>
<td>Does the objective have clear indicators to give it meaning and clarity?</td>
</tr>
<tr>
<td><strong>A</strong> Appropriate</td>
<td>Does the objective fall within the overall vision? Is it an economic development objective or does it belong in a linked planning process?</td>
</tr>
<tr>
<td><strong>R</strong> Realistic</td>
<td>Given resources and constraints, is the objective achievable?</td>
</tr>
<tr>
<td><strong>T</strong> Time dated</td>
<td>Can a time limit be set for the achievement of the objective, by date or duration?</td>
</tr>
</tbody>
</table>
Task 6: Prioritize Objectives

Once the issues have been grouped and organised into objectives, it is worthwhile to get an early sense of the stakeholders’ priorities. Because objectives are what the local area cares about, they should be the focus of the planning process. This is critical. Why does one participant want to attract foreign capital? Maybe because it is believed that this will create more, better-paying jobs. In this case, the participant’s objective would be to encourage local quality job growth; the indicator might be a median hourly wage, and one strategy option would be to attract foreign capital. However, analysis might show that strategies to limit the flight of local financial capital and investment (e.g., through a credit union) are actually more effective to encourage local, quality job growth.

At this point in the process, the focus should be about what people really care about – the objectives – as opposed to actions or strategies. This is because once priority objectives are understood, there are typically opportunities to be creative and generate strategy options that garner more support because they are more responsive to what the stakeholders care about. Focusing on objectives will help avoid much of the positional, action-focused thinking that tends to polarize participants, limit creativity and stall so many processes. Where there are differences, they can be highlighted, tradeoffs discussed and new options developed. Later in the process, wide-ranging ideas for how objectives can best be achieved can be generated as discussed in Step 6. The key to prioritizing objectives, even at the strategic level, is to understand what potential change might occur from the full range of LED strategy options.

How to Rank Objectives for LED

There are many ways to conduct a strategic prioritization exercise appropriate for the participants and the culture in a locality. A simple workshop method of prioritization would be to ask participants to place a mark next to the objectives they believe are:

- most important, and
- should be done first.

Typically, participants limit themselves to three or five marks (see Tool 5b). This method is sometimes used in combination with worksheets, which are filled out before going to the board. Worksheets can also be used alone as anonymous “voting” where sheets are handed in and analyzed by the facilitator. This method promotes independent thinking and allows participants to avoid being swayed by the group as in an open ranking. A worksheet exercise will offer insight for identifying what is important to the different stakeholders, where effort in designing LED strategies should focus, and what key information gaps exist.

This understanding should be based on what is important to the participants and the change they believe can be achieved. These approaches
might be the most appropriate here, where information is limited. The purpose of these exercises is to get a sense of what participants believe is important, so that better initial strategic options can be designed to address strategic priorities and research can be more focused. Remember: These priorities might change as better information becomes available and perceptions are grounded by more reliable information.

**Example 10: Example of a simple objectives prioritization worksheet (place at front of room)**

<table>
<thead>
<tr>
<th>Strategic Objectives</th>
<th>Participants’ Priorities (indicated by ‘3 dots’ supplied by facilitator)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce poverty</td>
<td>●●●●●●●●●●</td>
</tr>
<tr>
<td>Improve economic resiliency</td>
<td>●●●●●●●●●●</td>
</tr>
<tr>
<td>Improve government capacity and regulations</td>
<td>●●●●●●●●●●</td>
</tr>
<tr>
<td>Promote decent jobs</td>
<td>●●●●●●●●●●</td>
</tr>
</tbody>
</table>

Dots placed by participants as a form of voting to identify priorities. 3-5 dots per participant placed next to any of the objectives. Participants may place more than 1 dot by an objective.

**Step 5: Review Checklist**

<table>
<thead>
<tr>
<th>Question</th>
<th>Rationale and Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have issues been translated into objectives?</td>
<td>There might be hundreds of issues, but once they are analyzed, it should become clear that the local area is trying to achieve only a few core objectives. The issues should be summarized into strategic groupings that are workable objectives, useful for analysis. A good summary of issues into objectives will go a long way towards having better dialogue, building better strategy options and reaching consensus.</td>
</tr>
<tr>
<td>Does each objective have a SMART indicator?</td>
<td>Specific, Measurable, Appropriate, Realistic, Time-dated</td>
</tr>
<tr>
<td>Do the objectives take into account the relevant constraints and opportunities identified in the situation analysis?</td>
<td>For example, a stakeholder might propose an objective: “Stop globalization.” This is actually a target (not a direction of preference), it is not realistic at the local level, and it is overwhelming. A better objective might be: “Reduce the negative local effects of globalization” or “Take advantage of growing markets by supporting local businesses.” Supporting objectives could then define this and be clarified with indicators such as “reduce local income disparities,” measured by household income levels. Many actions might be involved, from tax-code reform to targeted training for the poor.</td>
</tr>
</tbody>
</table>
Is each an important achievement in its own right or are some repetitive?

If the objectives are repetitive or overlapping, consolidate and clarify them, as much as possible. This will avoid double-counting or unintentionally overstating an objective.

Do any objectives contain details that really belong in an action plan?

This question attempts to separate means from ends. For example, reforming the tax codes is likely an action to achieve the objective objective “Promote efficient government (streamline).”

---

**Step 5: Objectives**

**Task 1: Identify key issues (concerns, problems, challenges, opportunities)**

Most of the afternoon of Day 1 of the planning conference was spent on a general assessment of key issues. A problem and opportunity exercise was used. In breakout groups, participants identified the problems that are obstacles in achieving their vision as well as opportunities that can be used to achieve their vision. The results were presented back during a plenary. The evening of Day 1 was used by FPDL facilitators to perform the following tasks:

**Task 2: Elaborate Strategic Objectives**

These would clarify the specific direction that Horezu would like to go in the next 4 years. They were developed based on the Vision statement and input from the issues identification exercise. For example, the focus of agriculture, forestry, crafts and small industry would be on adding value, and the focus of local government would be on capacity building. Four strategic objectives were identified and are shown below:

**Strategic Objectives for Horezu**

1. Develop tourism which makes effective use of Horezu’s natural and cultural resources
2. Establish associations that can support local partnerships for the benefit of the community
3. Increase value added in the areas of agriculture, forestry, crafts and small industry
4. Increase capacity of the local government to take a leading and proactive role in local economic development

---

**Task 3: Assessing, clustering issues (problems and opportunities)**

Problems and opportunities were assigned to one of the strategic objectives, considering them obstacles to achieve or opportunities to use in order to achieve, the specific objective. The organised results are presented below:
**Step 5: (continued)**

1. **TOURISM:** Develop tourism which makes effective use of Horezu’s natural and cultural resources

<table>
<thead>
<tr>
<th>PROBLEMS</th>
<th>OPPORTUNITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Insufficient tourist services and only partially of good quality</td>
<td>1. Horezu is well positioned in an attractive region: environment, culture and history.</td>
</tr>
<tr>
<td>2. Insufficient training of staff working in tourism services (client relations, cleaning, marketing)</td>
<td>2. Existence of well-known cultural events (annual fair of pottery) and tourists are coming to Horezu.</td>
</tr>
<tr>
<td>3. Unattractive urban image Special programmes of the Ministry of Tourism.</td>
<td>3. Potential of creating national parks or protected areas.</td>
</tr>
<tr>
<td>4. Potential of creating national parks or protected areas.</td>
<td>4. Social events which gather people in the city.</td>
</tr>
</tbody>
</table>

2. **ASSOCIATIONS:** Establish associations that can support local partnerships for the benefit of the community

<table>
<thead>
<tr>
<th>PROBLEMS</th>
<th>OPPORTUNITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Low number of associations due to a lack of culture, lack of trust and poor communication</td>
<td>1. Schools’ / Children’s club positive experience in programmes of cleaning the city and other places.</td>
</tr>
<tr>
<td>2. Lack of civic spirit / conservative mentality, reticence to new ways, resignation</td>
<td>2. Local government’s initiatives with schools.</td>
</tr>
<tr>
<td>3. No sports clubs</td>
<td>3. Students in architecture could work on plans for the center of the city.</td>
</tr>
<tr>
<td>4. Lack of central public spaces for meetings and gatherings, spaces for cultural events</td>
<td>4. Social events which gather people in the city.</td>
</tr>
</tbody>
</table>

3. **AGRICULTURE, INDUSTRY, CRAFTS:** Increase value added in the areas of agriculture, forestry, crafts and small industry

<table>
<thead>
<tr>
<th>PROBLEMS</th>
<th>OPPORTUNITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Lack of collection and processing facilities for products (milk, meat, mushrooms, fruits)</td>
<td>1. Existence of some production spaces and food products local specialties</td>
</tr>
<tr>
<td>2. Low productivity of animal breeds</td>
<td>2. Existence of trade fairs for traditional products in Romania and abroad</td>
</tr>
<tr>
<td>3. Old and low productivity orchards</td>
<td>3. Forests as economic resource of raw material for small industry and traditional crafts</td>
</tr>
<tr>
<td>4. Pastures of low quality, poorly maintained</td>
<td>4. Bee-breeding as a profession with an established tradition, with advanced technology and expertise and well-established markets</td>
</tr>
<tr>
<td>5. Difficult access to credit for agriculture</td>
<td>5. Legislation which encourages formation of associations of farmers and agriculture workers</td>
</tr>
<tr>
<td>6. Loss of traditional markets</td>
<td>6. Diverse and valuable crafts tradition</td>
</tr>
<tr>
<td>7. Lack of knowledge and modern technologies and current use of old technologies</td>
<td>7. Existence of training programmes, vocational education and consulting services</td>
</tr>
</tbody>
</table>
Step 5: (continued)

4. LOCAL GOVERNMENT: Increase capacity of the local government to take a leading and proactive role in local economic development

<table>
<thead>
<tr>
<th>PROBLEMS</th>
<th>OPPORTUNITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Poor enforcement of existing legislation related to protection of environment and historical heritage and city cleaning</td>
<td>1. The territorial role of the city (administrative services for the micro-region – education, justice, health)</td>
</tr>
<tr>
<td>2. Insufficient cooperation with local governments in neighbouring communities</td>
<td>2. Existence of land available in municipal property, well equipped (electricity, water)</td>
</tr>
<tr>
<td>3. Poor quality of roads (poor quality of streets and roads maintenance makes some of them basically not fit for public use)</td>
<td>3. Existence of under-used buildings (e.g., House of Culture) which can host development activities (e.g., Information center)</td>
</tr>
<tr>
<td>4. Lack of information related to funding programmes</td>
<td>4. Production facilities available, not used</td>
</tr>
<tr>
<td>5. Poor quality of cleaning and waste management services</td>
<td>5. Existence of governmental programs for modernizing infrastructure</td>
</tr>
<tr>
<td>7. Limited capacity to design and implement projects</td>
<td>7. Local government open to change and development</td>
</tr>
<tr>
<td>8. Limited financial resources</td>
<td></td>
</tr>
<tr>
<td>9. Lack of Internet access</td>
<td></td>
</tr>
<tr>
<td>10. Lack of information for citizens, investors, companies</td>
<td></td>
</tr>
<tr>
<td>11. Incomplete sewage system</td>
<td></td>
</tr>
<tr>
<td>12. The rural features of the community</td>
<td></td>
</tr>
<tr>
<td>13. Inadequate office space for city hall</td>
<td></td>
</tr>
<tr>
<td>14. Lack of jobs for youth</td>
<td></td>
</tr>
</tbody>
</table>

Task 4: Develop SMART indicators (Specific, Measurable, Appropriate, Realistic, Time-dated)

Task 5: Prioritize objectives

Due to time limitations, Tasks 4-5 were not formally conducted. It was agreed that Task 5 would be the responsibility of the core group as a follow-up activity after identifying specific activities (strategies) to achieve strategic objectives and that the limited number of objectives, four, did in effect represent the top priority objectives.
Step 5: USER NOTES...
Module Three: How do we get there?

Step 6: Strategy Options
Step 7: Action Planning
Step 8: Implementation

Overview

“Getting there” is ultimately what the entire strategic planning process is about. Evaluating possible strategies and detailing action plans are the specific activities that will enable communities to realize their objectives though implementation.
Step 6: Identifying & Evaluating Strategy Options

Learning Objectives

- To understand how to use objectives to develop strategy options
- To be able to evaluate and choose strategies that best satisfy the objectives

Designing Strategies

Identifying strategies is at the heart of LED planning. Strategies are different ways of realizing the LED vision and objectives. This is perhaps the most tangible point in the planning process – where thinkers and doers connect, where specific action steps are envisioned and where those with the greatest promise are chosen. It is worth noting that people will probably think both in terms of specific actions and strategies (a group of actions working together), not necessarily distinguishing between the two. Making this distinction, however, will allow for more creative combinations of actions to be made into strategy options. As in all steps, the design and selection of strategies must respect local traditions and cultural processes, as well as be long term and consistent with other plans (e.g., environmental management plans and capital budget plans).

How are Strategy options identified?

- **Task 1.** Generate actions for pursuing priority objectives (see Step 5).
- **Task 2.** Refine and organise actions.
- **Task 3.** Combine into strategy options, evaluate against LED objectives and improve.
- **Task 4.** Negotiate and redesign the strategies; agree on strategy.

A Note on Strategy Development

In some cases, a local area may create a LED strategy with only one or two objectives and a limited number of related action ideas that fall within the capacity and resources of the local area. For many local areas this is a good place to start. Working within immediate local constraints and realities, a local area should be able to more quickly achieve action. Additional refinement and analysis may be limited to simply prioritizing the actions.

Here, the challenge is to choose the limited action(s) that will have the greatest positive impact on the objective(s), with a focus on the high priority objective(s). So while the strategy development is not as complex, it still requires the steps in the process to be completed.
Task 1: Generate actions for pursuing priority objectives

A productive way to initiate strategy development is to ask:

- What actions could be undertaken to achieve each priority objective?

To do this, take each of the priority strategic objectives separately and think about what actions could be carried out to achieve that objective. Alternative methods include developing actions around important means objectives (information and communication) or by sector (tourism, agriculture). In all of these cases, the objectives should drive the actions and strategy options development.

As with issue identification, use independent thinking techniques, brainstorming and other tools for generating action ideas in an inclusive way (see Tool 6a). Using breakout groups, with each group developing actions for a single priority objective, is often a productive approach if the group is large enough. It is often common for stakeholders with similar interests to be interested in detailing the same priority objective, means objective or sector issue. The result should be a set of actions to achieve a particular objective, or multiple objectives if a sector approach is taken. For example, if one of the priority objectives is “Reducing Poverty,” some actions might be to organise informal sector groups, implement a micro-credit programme and provide skills training.
**Action-Generation Tips**

Action-generation is more effective when the LED partnership group have:
- reviewed the SWOT and common causes;
- reviewed the ideas and case studies from the other communities (see Volume 4: Action Guide); and
- are clear that the objectives should guide the thinking (most important).

**Figure 11: Moving from Objectives to Actions**

<table>
<thead>
<tr>
<th>Objective</th>
<th>Common Issues</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce poverty</td>
<td>Individuals and entrepreneurs cannot access financing and skills</td>
<td>Micro-credit (Action 24)</td>
</tr>
<tr>
<td>Improve local business revenue</td>
<td>Business lack coordination and business skills</td>
<td>Skills training facility (Action 12)</td>
</tr>
<tr>
<td>Improve government tax revenue</td>
<td>No information on local jobs or local labor/skills</td>
<td>Business development support (Action 13-14)</td>
</tr>
<tr>
<td>Increase number of decent local jobs</td>
<td>Limited internet technology</td>
<td>Job matching and knowledge mngt (Action 9)</td>
</tr>
</tbody>
</table>

Derived through process described in Volume 2: Manual with the support tool from Volume 3: ToolKit and ideas from Volume 4: Action Guide

**A Note on The Action Ideas List**

These actions are profiled in detail in Volume 4: Action Guide. Also, we want to stress that the following list of actions is not a comprehensive list and certainly not the only actions that can be considered in a LED strategy. Additional Project headings can be found through other resources, for example, see The World Bank Local Economic Development Web site at: http://www.worldbank.org/html/fpd/urban/led/implementing.html. Often, actions need to come from, and be fitted to, the specific LED context.
### Table 8: Action Ideas for Local Economic Development

*Note: These actions are profiled in detail in Volume 4: Action Guide*

<table>
<thead>
<tr>
<th>Action</th>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Initial Actions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Action 1.</strong></td>
<td>Policy and Regulation</td>
<td>Local governments should be involved, to some degree, in local economic development planning. Policy and regulation mechanisms can affect local business activity through infrastructure, taxes and regulation of land, buildings and activities. Creating business and entrepreneur “enabling environments” depends on clear and stable policies and regulations.</td>
</tr>
<tr>
<td><strong>Action 2.</strong></td>
<td>Stakeholder Implementation Group</td>
<td>Once the plan has been agreed to, there needs to be an organisational mechanism for implementing it. Either an existing agency with an identified individual needs to take the lead, or an implementing organisation needs to be formed. Options for institutionalizing LED include the establishment of a Local Business Council or a Local Economic Development Agency, composed of public and private institutions, representatives of political and economic spheres, and civil society.</td>
</tr>
<tr>
<td><strong>Action 3.</strong></td>
<td>Demonstration Projects</td>
<td>Pilot or demonstration projects are small-scale, short-cycle projects or test projects that prepare the way for replication or expansion and keep the momentum in a LED process going.</td>
</tr>
<tr>
<td><strong>Action 4.</strong></td>
<td>Research and Analysis</td>
<td>Nearly every action identified will have additional information requirements (feasibility analysis). The LED process might also have identified key data gaps where spending time and money on additional research is warranted (e.g., markets and opportunities, the supply chain, value-added processing opportunities, import substitution, salvage operations, remanufacturing, concept testing/feasibility analysis).</td>
</tr>
<tr>
<td><strong>Action 5.</strong></td>
<td>Study Tours</td>
<td>Actually seeing what is possible helps to link concept and ideas with reality. Having leaders in LED strategy visit other communities or locations where LED actions have taken place to see first-hand how they work is a powerful catalyst in mobilizing activity.</td>
</tr>
<tr>
<td><strong>Action 6.</strong></td>
<td>Local procurement and “buy local” campaigns</td>
<td>Local procurement is simply a commitment made by the local authority to buy and hire locally. “Buy local” campaigns are similar except they target consumers and businesses, encouraging them to buy local products (e.g., local farmers sell to local restaurants).</td>
</tr>
<tr>
<td><strong>Action 7.</strong></td>
<td>Simple upgrading of local business areas</td>
<td>Sometimes simple actions, such as cleaning up an area, adding plants and greenery or banners, can build pride, support local businesses, encourage infill development and reuse resources.</td>
</tr>
<tr>
<td><strong>Action 8.</strong></td>
<td>LED Publications</td>
<td>Some LED publications can be produced quickly and easily with limited staff time and using information collected during the LED process. Simple publications are useful ways of getting existing businesses involved in the LED process. Examples include Local Area Brochure and Profile Letter; Local area or Economic Profile; and The Business Directory.</td>
</tr>
</tbody>
</table>

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### Advanced Actions

<table>
<thead>
<tr>
<th>Action</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Marketing and Knowledge Management</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Action 9.</strong></td>
<td><strong>Knowledge Management</strong></td>
</tr>
<tr>
<td><strong>Action 10.</strong></td>
<td><strong>Marketing and Promotion</strong></td>
</tr>
<tr>
<td><strong>Entrepreneur and small business support</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Action 11.</strong></td>
<td><strong>Incubators</strong></td>
</tr>
<tr>
<td><strong>Action 12.</strong></td>
<td><strong>Skills Training Center</strong></td>
</tr>
<tr>
<td><strong>Action 13.</strong></td>
<td><strong>Micro and Small-Scale Enterprise (MSE) Development</strong></td>
</tr>
<tr>
<td><strong>Action 14.</strong></td>
<td><strong>Small Business Development Centers</strong></td>
</tr>
<tr>
<td><strong>Physical revitalization, infrastructure and land planning</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Action 15.</strong></td>
<td><strong>Physical infrastructure investment</strong></td>
</tr>
<tr>
<td><strong>Action 16.</strong></td>
<td><strong>Clusters</strong></td>
</tr>
<tr>
<td>Action 17.</td>
<td>Industrial / Business / Science and EcoParks</td>
</tr>
<tr>
<td>Action 18.</td>
<td>Town center / business area upgrading</td>
</tr>
<tr>
<td>Action 19.</td>
<td>Linking of permits</td>
</tr>
</tbody>
</table>

**Organisational Development for LED**

| Action 20. | Creating LED Organisations | Local economic development organisations are devoted to the implementation and ongoing planning of LED actions. They include Business Improvement/ Development Associations (BIA, BDA); Local area Development Corporations (CDC); Municipal Government LED Department, Chambers of Commerce and many more. |
| Action 21. | Cooperatives | A cooperative is a democratically controlled enterprise owned by its members to fulfill a financial, economic, social or cultural need. |
| Action 22. | Partnerships | Partnerships between the public and private sector and the local area represent an effective and efficient approach to implementing LED strategies in local communities and are essential in many LED actions. |
| Action 23. | Institutional Cooperation Mechanisms | For local areas, cooperating in a competitive world is a key to success. Both formal and informal mechanisms exist for promoting greater cooperation. |

**Finance**

| (also see Action 21) | Financial Coop | Local lending institutions and financial cooperatives. |
| Action 24. | Micro-credit | Micro-credit is the extension of small loans to entrepreneurs who are too poor to qualify for traditional bank loans. |
| Action 25. | Local Currency or Local area Currency Systems | Local Currency or Local Area Currency Systems are a type of parallel currency system whereby a local area organises and administers a system of exchanging locally produced goods and services, using an interest-free currency whose circulation is limited to a particular geographic area or social group. The local currency operates alongside the conventional national currency of the country. |
**Table 8: (continued)**

<table>
<thead>
<tr>
<th>Action</th>
<th>Area of Action</th>
<th>Action Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Action 26.</td>
<td>Foreign Direct Investment</td>
<td>This involves attempting to attract foreign direct investment from outside the local area. Once a LED strategy is in place, the goal is to attract investment that is responsive to the local area values.</td>
</tr>
<tr>
<td>Action 27.</td>
<td>Domestic Inward Investment</td>
<td>Domestic inward investment is an attempt to keep local money in the local economy. Often, money is put into banks that invest outside the local area or investors seek opportunity outside the local area. Local credit unions, community credit/debit cards and other investment strategies can be developed to locally reinvest money earned in the local area.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Action</th>
<th>Area of Action</th>
<th>Action Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Action 28.</td>
<td>Support for the Informal Economy</td>
<td>The informal economy is comprised of economic activities not recorded and not subject to formal rules of contract, licensing, labour, and taxation. Informal economies often contribute directly to poverty reduction by providing for the livelihoods of large portions of the population. By supporting the informal economy, other important social development issues can also be addressed, including gender equity, cultural preservation, child labour and public health and safety.</td>
</tr>
<tr>
<td>Action 29.</td>
<td>Sustainable Tourism Development</td>
<td>Sustainable tourism is often pursued because it is not so dependent on financial capital or major infrastructure, and is, therefore, an entry sector that can achieve quick results, especially important for poorer areas. It is also seen as a win-win option, designed to mitigate the economic needs of a local area and to protect the cultural and natural environment. However, balance is never an easy task to obtain.</td>
</tr>
<tr>
<td>Action 30.</td>
<td>Urban-Rural Linkages</td>
<td>Creating improved urban-rural linkages is a key component for ensuring the sustainability of both rural and urban areas. By connecting the resources, the rural people’s desire for direct access to end users of rural products and the urban need for more affordable and better quality products can be facilitated through more cooperative networks.</td>
</tr>
<tr>
<td>Action 31.</td>
<td>Invest in Natural Capital</td>
<td>Living systems provide us with resources (trees, water, soil, air, oil) and services (aesthetics, flood control, purification of water and air, pest and disease control, storage and cycling of fresh water). Investing in resources (tree planting, reef protection/development) and services (create urban ecosystems for aesthetics and pest/disease control, maintain wetland for waste treatment and storm water retention, maintain watersheds for flood control, drinking water).</td>
</tr>
</tbody>
</table>

**Task 2: Refine and organise actions**

Once a good set of action ideas have been created, they need to be refined and organised into initial strategies. **However, in some cases, a local area will only have the capacity and resources for a single action. In these cases, the challenge is to choose the one action that will have the greatest positive impact on all the objectives, with a focus on the high priority objective(s).**

Numerous action ideas will likely be put forward during task one. These can be sorted first by considering the following:
— Which actions are related?
— Can these actions be restated in a way that summarizes several actions?
— Are some actions identifying a higher degree of detail of other actions? (Think of a logical way to group higher-level and lower-level actions.)

As in all steps, the design and selection of alternatives must respect local traditions and cultural processes. The strategy that is ultimately developed and chosen should also be long term and consistent with other plans that might be in progress such as environmental management plans and capital plans. As at other stages in the process, participation of stakeholders in the development and evaluation of alternatives is essential to successful implementation.

How are Alternatives identified?

Step 1. Brainstorm action ideas for the alternatives – use objectives to guide thinking and the Ideas Document to inspire creativity.
Step 2. Organise actions into coherent alternative strategies.
Step 3. Evaluate alternatives using objectives: Do the strategies promote the local-area objectives? Requires tradeoffs and consensus-building.
Step 4. Re-evaluate and choose strategy.

Case Reference 17: Objectives to Strategy Options in Agricultural LED, Mexico

The Department for Rural Development in Mexico developed a set of objectives and strategies for LED, based on local area meetings and an analysis of existing state and federal agricultural support programmes.

The Programme defined the following specific objectives:

1. Encourage (peri)urban agriculture, forestry and aquaculture
2. Make optimal use of technologically advances in sustainable production methods
3. Contribute to the organisation of producers
4. Generate employment
5. Improve the citizens’ access to healthy foods
Task 3: Combine into strategy options, evaluate against LED objectives and improve

There is rarely one single “best” strategy option, or a “quick fix,” especially when a local area is trying to achieve many objectives. The key is to design strategy options that specifically target local-area objectives and local conditions, and that garner a wide range of support to ensure successful implementation. The full set of objectives developed in Step 5 will help as a reference and checklist to make sure that important needs and issues of the local area are not forgotten.

Organizing actions might be affected by timing, where x must happen before y can happen. Some strategies might address particular objectives more than others or be limited in their effectiveness by constraints, such as funding. Strategy options can be designed to positively impact more than one objective, or to minimize/avoid impacts among multiple objectives. This initial set of strategies will need to be refined as objectives are clarified, and as more information about the possible consequences of any economic development action is gathered. Creating good strategy options is an iterative (repeat procedure) process, guided by the LED objectives and new information.

Finally, experience suggests that two aspects of any strategy should be considered as part of Task 3:

- **Common Actions** – When packaging or combining actions some actions may need to be a part of every strategy (e.g., the permanent establishment of a LED Officer or a LED Committee).

- **“Low-Hanging Fruit” and Visible Results** – Some actions might be obvious, simple ones that are easily attainable, commonly desired, universally agreed upon and can be implemented quickly. These “low-hanging fruit” do not require more detailed evaluation. These actions are perfect for pilot projects or just simple projects that help to generate trust, motivation and momentum.

After evaluation, the following strategy options were chosen to best fulfill the objectives:

(a) Providing micro-credit for production activities
(b) Training producers through cooperation agreements with agricultural training institutes
(c) Strengthening the organisation of producer groups
(d) Supporting commercialization
(e) Dissemination and validation of (traditional) rural culture

Source: *Rural Development – Sustenance for Urban Life, Mexico* (www.bestpractices.org)
Initial Evaluation

Once the actions are grouped, refine the strategies by considering:

**Timing**
- Is there an order to the actions? Do some actions need to happen in advance of others?
- Are any actions mutually exclusive or is it a matter of when the actions are done (i.e., if you do an action does it necessarily mean that you cannot do another action)?

**Multiple Objectives**
- Can these actions be designed to contribute to other objectives (e.g., economic diversity, poverty reduction, decent job opportunities, self-sufficiency, and environmental sustainability)?
- What is the opportunity cost of not implementing this action?
- Will the action improve quality of development, making the local area better, not just bigger (quantity of development)?

**Sustainability**
- What are the long-term effects? How will they impact future generations?
- Is there waste and pollution? Can this waste be reused or recycled? Can it be minimized?
- Are there there issues of fairness that will need to be addressed?
- Will this action have undesirable or inequitable impacts (consider the marginalised, poor, youth, children, women, local businesses, the environment)?

**Public Costs and Finances**
- What public services are required and how will these be paid for?
- What is the likely effect on the community finances, both revenues and long-term costs?

Once the actions have been redesigned and consolidated into strategy groups, consider conducting an interactive voting or prioritization of the actions. Use the questions above to help guide the prioritization exercise.

**Advanced Evaluation**

At this point in the process, it is possible and likely that more than one strategy is under consideration. The competing strategies might be distinguished by the inclusion of competing projects or mutually exclusive actions. By now, the stakeholders in the LED partnership group should have a very clear idea of the consequences of each strategy option to make good decisions about which strategy to pursue or to pursue first.

To evaluate strategy options, the LED partnership group should use the objectives and indicators (or indicators), developed in Step 5, as evaluation
The strategy options should be evaluated based on the effect they have on the stated objectives. In other words, if a programme to address the informal economy is under consideration as a strategy option, it should be evaluated against the positive change it will have on the objectives it seeks to impact (e.g., poverty reduction, job creation, etc).

Each strategy option should be evaluated in terms of its positive effect on multiple objectives, by considering the following questions:

- What are the likely impacts of this project or action on the objectives – how are indicators affected?
- What key uncertainties are, or key information is, missing?
- Could studies or additional work be done to provide key insight/information into how the strategy options impact the objectives?
- Can the expert judgments of participants or experts provide key insight/information about the potential impacts of a given strategy option?

Using a Consequence Table

Once the strategies have been refined, there will likely be need for further analysis between strategy options. Important and complex decisions, with more than one objective, can benefit tremendously from structured thinking. This might be due to mutually exclusive projects, timing of implementation or other controversial issues. Or, the partnership group might simply need more information about the strategy options before coming to a decision. A helpful evaluation tool for strategy options is an Evaluation Matrix or Consequence Table, as shown in the simple evaluation matrix in Example 11 below. This type of matrix allows strategy options and their potential trade-offs to be identified, reviewed, discussed, and consensus-building options to be developed. At this stage, “win-win” and clearly advantageous strategy options might be discovered.

The difficulty for communities and stakeholder groups in carrying out an exercise described in Example 11 is often a lack of technical expertise to perform the necessary empirical and analytical work and make solid estimates of outcomes. Where this is the case, what started with a visioning exercise soon ends with catchy strategies or jumps to wish-list projects. Lack of specific expertise should not stop a stakeholder group from conducting more detailed analyses. Experts might be hired to help stakeholders fill in the boxes of the Consequence Table. Better yet still, this task provides an excellent opportunity for those stakeholders with expertise (e.g., learning institutions, for example) to provide input. Where hard data is not available, judgments can be used.

Once the information is collected and the matrix filled out, one type of analysis that can be performed is a “technical dominance” analysis. This can help determine objectively (and avoid politics) if any of the proposed

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51 A good place to learn about alternative evaluation techniques in more detail is: Hammond, J.S., R. Keeney and H. Raiffa, Smart Choices. 1999 Harvard Business School Press.
strategy options is dominated, or dominates, the range of choices available. A strategy option is dominated if it performs worse than the other options in terms of its ability to impact desired objectives. (Conversely, a strategy option dominates if it is clearly the best in terms of impact on the objectives.) In the example matrix below, Strategy Option A (Status Quo) either performs the same or worse than other strategy options in terms of its impact on set objectives. Therefore, it is dominated by more effective strategies and can be crossed off, no longer considered by the LED partnership group. In this case, some action is going to be better than doing nothing, or the status quo. Finally, the separation of objectives into clear categories is critical if the effects on issues such as job growth and poverty reduction are to be clearly visible in the decision-making process, and later in the monitoring and evaluation process. With a much simpler matrix to evaluate, it might be possible to create a new option that everyone agrees is the best, Strategy Option X, which is based on the best of the other options. See Example 11: Evaluation Matrix or Consequence Table.

Example 11: Technical Analysis of the Impacts of LED Strategies

<table>
<thead>
<tr>
<th>Strategic Objectives</th>
<th>Strategy Option A (Status Quo)</th>
<th>Strategy Option B</th>
<th>Strategy Option C (Combine the best of B&amp;C)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce poverty</td>
<td>Approx. 30% of families live under the poverty level with trend worsening.</td>
<td>Less than 5% (stabilized trend) of families live below poverty level</td>
<td>Less than 15% (stabilized trend) of families live below poverty level</td>
</tr>
<tr>
<td>Improve government tax revenues</td>
<td>Moderate</td>
<td>High</td>
<td>Moderate-High</td>
</tr>
<tr>
<td></td>
<td>Government able to provide a minimum level of basic services.</td>
<td>Government able to provide a minimum level of basic services.</td>
<td>Government able to provide basic services and business and social support.</td>
</tr>
<tr>
<td>Improve local business revenue</td>
<td>3% annual increase in local business revenue</td>
<td>8% increase in local business revenue</td>
<td>12% annual increase in local business revenue</td>
</tr>
<tr>
<td>Increase number of decent local jobs</td>
<td>400 new jobs annually most new jobs are not “decent.”</td>
<td>500 new jobs annually most new jobs are “decent”</td>
<td>900 new jobs annually most new jobs are “decent”</td>
</tr>
<tr>
<td>Minimize adverse environmental impacts</td>
<td>Low Impacts</td>
<td>Low Impacts</td>
<td>Low Impacts</td>
</tr>
<tr>
<td>Strategy Option A performs equal to or worse than Strategy Option B or Strategy Option C across all performance measures. We call that “dominated” so we can cross off Strategy Option A as a low priority.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Because the environmental impact is anticipated to be low for each of these strategy options, this objective does not contribute to the evaluation and can be taken out of the matrix, simplifying the analysis. Note that this does not mean environmental impacts are not important, just that they do not help us make a better decision in this case.</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

The information is gathered through research, analysis and expert judgment.
Note: The consequences in the table opposite the SMART objectives use multiple indicator types: natural (# number of jobs), constructed (high-low), and proxy (% living below poverty line). Source for data is hypothetical.

Once a good set of strategy options has been developed, and if no consensus on a particular option has been reached, a more sophisticated method of analysis might be justified that explicitly identifies value preferences by generating weights for objectives. The numerical value weights are then combined with the indicators from the technical analysis through a simple mathematical process. The results provide insight into the most preferred strategic option. The method is explained in Tool 6d.

Task 4: Redesign the strategies and choose

Once the technical analysis shown above has been completed, the stakeholder group is ready to examine values tradeoffs and consensus-building options in greater detail. The information provided in the matrix describes possible consequences of different strategies (facts or technical information) but does not indicate how important the different consequences are. For example, having a “High” impact on sustainable tourism might be less important than a “Moderate” impact on poverty reduction. The matrix, nevertheless, allows this type of value analysis to occur. With discussion, an understanding of the rationale behind stakeholder preferences might be developed, and the LED partnership group might successfully generate new actions, modify existing actions or develop a different combination of actions into a better strategy option that enjoys wider consensus – shown as Strategy X in Example 11 above.

At this stage, it is important to consider in greater detail the inclusion of small visible projects, large complex projects and key constraints.

Identify Small but Visible Projects

If not done already, identify and highlight small visible projects, “sure things” or “low hanging fruit.”

Gather Essential Information for Large Scale Projects

Large, complex projects that require significant resources and have longer time horizons will likely need additional information, and a more thorough decision-making process. At this point, a more specific (but still initial) estimate of economic, social and environmental costs, benefits and impacts is needed before the project can often be included in the strategy. It must be identified that preliminary inclusion in the strategy option depends on a more rigorous process of viability assessments, feasibility studies, project design, business plan preparation, funding and project specific monitoring and evaluation. Specialists are often required for these projects.
Use Negotiation Skills

All stakeholders should continue to use principled negotiation skills by keeping focused on the objectives and interests of all stakeholders in the search for a strategy option that works. This includes keeping an open mind and searching for shared answers. All stakeholders should be reasonable and willing to reconsider strategy options, while not degrading the process by introducing take-it-or-leave-it offers, threats and other bargaining tactics.\(^52\)

Re-Evaluate

In re-evaluating the strategy options, it is a good idea to further consider the constraints.

Re-assess Constraints

- What are the key constraints?
- How have these constraints affected the design of strategy options?
- Have the constraints limited or changed the decisions?

Information

- Will more information really change the decision?
- What information is critical?
- Can an alternative be designed to address key data gaps and uncertainties?

Cost

- What actions would you choose on a limited budget?
  - For example, are five inexpensive soft-infrastructure projects (e.g., training) more beneficial to achieve local-area objectives than one expensive capital improvement project (e.g., a new road)?
- Can alternative sources of financing be found?

Capacity

- Is there organisational capacity and expertise to implement the strategy options?
- If not, is capacity-building included in the revised strategy option?

\(^{52}\) See Fisher and Ury, 1983.
Timing

- **Urgency** – Does an action need to happen right away? Is there a specific “window for action”?
- **Deadlines** – Are there deadlines and how important are they?
- **Phasing or Sequencing** – Does one action need to happen before all others? (Phasing can be helpful to design a good strategy, build consensus and to help “save face” if an action is included but not identified for immediate implementation.)

Opportunity for Public Comment and Stakeholder Review

Once the strategy options are revised and the strategy established, there is an opportunity to take it to the local area and stakeholders not directly involved in the process for final review and comment. This allows stakeholders to articulate and document areas of consensus and disagreement. Clear articulation of these preferences is especially important if the LED partnership group is an advisory group that cannot reach consensus, but must submit a report to an elected body (e.g., a city council). With information on why a LED partnership group did not reach consensus, the decision-maker will have important information needed to determine the final strategy for implementation.


The town of Huddersfield, England, was in decline in the late 1990s. Many of its manufacturing industries were foreclosing under the pressures of globalization. The loss of public sector jobs further exacerbated unemployment. Professionals and young people were moving to the larger urban centres, creating a “brain drain.”

In response, the municipality developed the vision for “Creative Town Initiative”: “to make Huddersfield, within a defined period of 5-7 years, a place which tangibly enriches talented individuals and provides opportunities for them to bring concepts and products to realization, thereby helping Huddersfield become a wealth creating town.”

The project involved gave rise to a “Creative Quarter” in a block of derelict buildings around the Kirklees Media Center, and followed an incubator and cluster approach (see Action 10: Incubators; Action 16: Clusters). The block was to be redeveloped into a “National Center for Sonic Arts,” for media production studios, managed workspace and incubator units for new companies. The “National Center for Sonic Arts” sought to provide a national facility for the development and production of electro-acoustic music and sound. It was envisaged that this clustering of projects would foster a critical mass of activity and attract external talent.
Case Reference 18: (continued)

The refurbishment of redundant buildings was complemented by environmental enhancements, creating an attractive quarter that people would want to visit.

The “Creative Town Initiative” was administered by a partnership between Kirklees Metropolitan Council in association with Huddersfield Pride Ltd., the town’s regeneration agency. A board comprised of major public agencies, the private sector and the local area managed it.

Source: http://www.worldbank.org/urban/led/eu_england.html
http://www.huddersfieldpride.com/archive/cti/ctimain.htm

<table>
<thead>
<tr>
<th>Step 6: Review Checklist</th>
<th>Strategy Option Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔ Brainstorm action ideas for the strategy options – use objectives to guide thinking and case studies to inspire creativity.</td>
<td></td>
</tr>
<tr>
<td>✔ Organise actions into coherent strategy options.</td>
<td></td>
</tr>
<tr>
<td>✔ Evaluate strategies using objectives – engage in tradeoffs and consensus-building.</td>
<td></td>
</tr>
<tr>
<td>✔ Re-evaluate and choose a strategy:</td>
<td></td>
</tr>
<tr>
<td>a. Re-design strategy options to meet objectives</td>
<td></td>
</tr>
<tr>
<td>b. Consider in greater detail inclusion of small visible projects, large complex projects and key constraints</td>
<td></td>
</tr>
<tr>
<td>c. Draft initial LED Strategy</td>
<td></td>
</tr>
<tr>
<td>d. Take it to the local area for final review and comment</td>
<td></td>
</tr>
<tr>
<td>e. If consensus is not reached, document areas of agreement and disagreement to be submitted to legitimate decision-maker(s) (e.g., mayor, council).</td>
<td></td>
</tr>
</tbody>
</table>
Step 6: Strategy Development

Task 1. Generate actions for pursuing priority objectives (see Step 5).
Task 2. Refine and organise actions.
Task 3. Combine into strategy options, evaluate against LED objectives and improve.
Task 4. Negotiate and redesign the strategies; agree on strategy.

Tasks 1-4, shown above, were completed during the planning conference and a written strategy generated that achieved consensus of the group. They worked in Working in breakout groups. These groups were used to develop strategies for each strategic objective. These groups were organised by having the participants assign themselves to work on the objective they believed they could use their expertise and time to help achieve.

First, brainstorming techniques were used to generate a list of actions by answering the following question: What can we do to overcome the key problems and to take advantage of the key opportunities to achieve the working group’s strategic objective? These actions were then roughly organised, or grouped, into objective specific strategies, which were then presented in plenary.

Unfortunately, time limitations did not allow for detailed evaluation of ideas or identification of what influence they have on the achievement of other strategic objectives. This would be a task the conference participants would allocate to the core group.

During the evening, after the planning session ended, FPDL facilitators organised the objective specific strategies on big flip charts to be used during the third and final day of the planning conference to identify the most important and urgent strategies, and to decide on time-frame and responsible organisations to implement them. A summary of the results of the consensus strategy development exercise is shown below.

Case Study: Horezu Romania
### Development of Tourism that Make Effective Use of Horezu’s Natural and Cultural Resources

1. Creation of an action group “group *Tourism in Horezu*” and create an association/chamber of tourism.
2. Design a coherent strategic development programme through direct participation of interested parties.
3. Pursue the systematic activities to attract tourists such as a tourism agency, a tourist information point located centrally and an Internet site.
4. Development of an urban image programme
5. Improve public spaces in the center of the city (buildings, facades, window-shops).
6. Preserve of traditional architecture.
7. Access special programmes of the Ministry of Tourism and opportunities of training in tourism.
8. Revitalize the home management and crafts school (scola de menaj) of the “Nadia Duca” Association to train staff for tourism services.
9. Inventory of houses and family homes running bed and breakfast or other boarding services.
10. The high school Ecoclub should develop mountain routes and maps with local tourist attractions.
11. Identify new and improve existing camping areas and tourist itineraries.
12. Create events or promote existing events to attract tourists throughout the whole year.
13. Create possibilities of spending time during bad weather
14. Develop commerce close to public spaces (e.g., bus stops).
15. Use existing tourist potential and expand market by attracting new tourists and expand existing tourist facilities.
16. Increase attractiveness of mountain area accompanied by enforcement of environment protection regulation, for example through creation of a natural park.

### Establishment of Associations to Support Local Partnerships for the Benefit of the Community

1. Organise training sessions on how to establish an association.
2. Organise summer schools/thematic youth camps.
3. Organise a meeting between local government and the University of Architecture in Bucharest – the community to develop the center of the city.
4. Organise training courses to increase local capacity in leadership, partnerships, community work and facilitate exchange of experience and good practice.
5. Evaluate existing associations, create a database of these associations, develop and submit projects, which support development of civic spirit.
6. Develop formal partnership between local government – school-business community to organise social and sports events.
7. The city hall should create a post with dedicated responsibilities of cooperation with civil society organisations.
8. Establish the International Association Friends of Horezu.

### Increase Value Added In the Areas of Agriculture, Forestry, Crafts and Small Industry

1. Promote quality traditional products on the occasion of local, national and international fairs.
2. Increase effectiveness of agricultural activity by establishing agriculture associations.
3. Organise systems for collection, processing, selling on new markets according to EU requirements.
5. Develop farmers’ knowledge and skills through training and exchanges.
6. Create a business center for small industry and crafts in the region.
7. Promote the establishment of businesses.
8. Promote the establishment of businesses to process existing animal products.
9. Develop training programmes for youth.
10. Develop joint marketing activities.
**Step 6: (continued)**

<table>
<thead>
<tr>
<th>Increase Capacity Of The Local Government To Take a Leading and Proactive Role In Local Economic Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Short and medium term programme to improve quality of roads. Promotion and lobbying activities for this programme with county and national authorities.</td>
</tr>
<tr>
<td>2. Develop a sanitation programme to ensure compliance with EU standards using a participatory approach.</td>
</tr>
<tr>
<td>3. Programme to improve quality of public services and utilities.</td>
</tr>
<tr>
<td>4. Programme of urban cadastre, a public record of the extent, value, and ownership of land for purposes of taxation.</td>
</tr>
<tr>
<td>5. Continuous development of human resources in local government.</td>
</tr>
<tr>
<td>6. Urban planning program through partnerships.</td>
</tr>
<tr>
<td>7. Project to promote children and youth participation in local economic development in partnership with schools.</td>
</tr>
<tr>
<td>8. Establishment of an information center for citizens, companies and self-employed, tourists within existing office spaces and Internet based with support from House of Culture.</td>
</tr>
<tr>
<td>9. Facilitate an ongoing project of economic promotion in partnership with local government and business sector.</td>
</tr>
<tr>
<td>10. Use larger scale public events to promote the city, its government and its businesses.</td>
</tr>
<tr>
<td>11. Recruitment by the city hall of staff well qualified in communications, projects with external funding, urban planning.</td>
</tr>
</tbody>
</table>
Step 6: USER NOTES...
Step 7: Action Planning and Strategy Documentation

Learning Objectives

- To understand how to plan for successful implementation
- To establish guidelines for writing the Strategic Plan document

What is Action Planning?

Once a strategy option has been designed and agreed to by the LED partnership group, it must be operationalised. It is one thing to get agreement on a broad strategy, quite another to detail it, maintain the commitment and secure the required resources. Action planning is a way to clearly identify what must be done, the date by which it will be done and who will be responsible for doing the work. Action plans need to be “do-able” within the existing limitations of time, budgets, administrative capacity and political resources.

Why create Action Plans?

Good action planning offers many important benefits. The action planning process helps double-check the strategy option to make sure that it is practical and can be implemented. Action planning clarifies exactly how resources will be deployed and who will do what and when. Specifying tasks in this way allows for clear budgeting and a realistic appraisal of the work ahead. Action plans also help avoid disappointment and build trust with participants as they help to ensure tasks are completed.

Creating Action Plans

An action plan contains a description of the specific tasks and activities necessary to implement the chosen strategy option. These activities must be within the means of the local area and stakeholders must be able to fulfill them. The key tasks involved in action planning are as follows:\(^53\)

- **Task 1.** Clearly understand the tasks and actions involved in the chosen strategy option (Step 6).
- **Task 2.** Determine who needs to be involved and specific roles and responsibilities.

Task 3. Determine time frames, resources, funding and preconditions.

Task 4. Identify risks, gaps and weak links in the action plan and how they will be addressed (e.g., actions or tasks in which there is no clear leader, no funding or other key resources identified, capacity limitations).

Task 5. Reconfirm commitments of each partner.

Task 6. Agree on a coordination mechanism.

Task 7. Agree on a monitoring mechanism (see Step 9).

Task 1: Clearly understand the tasks and actions involved in the chosen strategy option

It is essential that all stakeholders understand the tasks involved and the parties responsible for implementing them. While this is a straightforward task, it requires effective communication to ensure that expectations are well established right from the beginning.

Task 2: Determine who needs to be involved, and specific roles and responsibilities

Partnerships are an important outcome of a participatory planning process and should lead to participatory implementation. An action plan is only as good as the structures put in place to implement it. Different responsibilities will require different organisational structures and skills.

The action plan asks the LED participants and often those outside of the plan creation process (e.g., external funders) to commit to the plan. Commitment is sometimes formally made through implementation agreements. It is important to identify the actors, organisations and individuals involved and which tasks they are responsible for. As much as possible, record names, agencies and/or organisations and be specific.

Implementation agreements are formal agreements that ask LED participants to commit resources such as time, money or information. In addition to partnership agreements, special task forces or new committees or organisations might need to be created to ensure that new programmes can be implemented.

The appropriate scale and level of representation of different interest groups, the methods chosen, and the extent of local participation and control over the implementation process will vary with each project and be determined, in part, by the organisational structure of the economic development initiative and the resources available. The first step is to ask the following questions:

- What partnerships, institutions, structures or mechanisms are required to implement new programmes, policies or projects?
How must structures involve stakeholders and the local area in the implementation of action plans?

What mechanisms are necessary to ensure coordination between activities?

For each action plan developed, a different set of organisations and individuals might be involved in implementation. The key is to coordinate and monitor all of these activities to ensure that objectives can be measured and met. This coordination is often done through a central organisation, such as a local economic development department.

**Task 3: Determine time frames, resources, funding and pre-conditions**

Without resources identified, secured funding in place and any preconditions met, the action plan will go nowhere. It is important to note that some actions may not require significant funding (e.g., strengthening existing organisations, enhancing communication and networking). However, most actions will require funding, and securing funding can be challenging. Within municipalities, LED funding will compete with health, education and other social services. LED strategies may have to be designed to impact these areas in order to secure funding. Many LED actions may have long-term time horizons and must have corresponding funds for maintenance and operations, not just initial start-up costs. Partnership funding, for example, through public-private partnerships, may need to be established. Whatever mechanism is used, it is important for the LED strategy to have a budget. This may be small at first, with opportunities for follow-up funding from other sources.

**A Note on Funding**

The most important resources are local resources. Here are two obvious questions to ask:

1. Which are the most important funding sources for the identified LED activities?
2. What new sources of funding might help in implementing the LED strategy?

The list below provides an overview of the many sources of funding for LED initiatives.
How Do We Get There?

Task 4: Identify risks, gaps and weak links in the action plan and how they will be addressed

Risk management and contingency planning is an important part of action planning. Giving some forethought to possible implementation challenges at the beginning is important (e.g., actions or tasks in which there is no clear leader, no funding or other key resources identified, capacity limitations, etc.). It is well known that simply trying to force change through might cause its own problems: stakeholders and staff can be uncooperative if change is forced on them, or limited capacity or knowledge of key technology might undermine a plan. One effective tool to help analyze these issues is Force Field Analysis. This is simply a systematic way to consider the forces that influence the Action Plan, including how to strengthen the positive forces, reduce or remove the negative forces and change the direction of negative forces to positive forces (see Tool 7b). Force field analysis can be used throughout the process, but is well suited for action planning.

Some funding sources for LED initiatives include the following:

- Local authority revenue raised from the usual sources, including property taxes and user fees
- Private sector funding such as corporate contributions/investments
- Locally formed cooperatives, where members pool their resources
- Partnership funding agreements for projects with mutual benefits
- Sale or renting of local-authority-owned industrial or commercial buildings and land
- Tax credits for local area groups
- Annual competitive development grants for innovative partnership proposals
- Regulations which require local investors, such as bank branches, to support local development projects
- National and state government and intergovernmental transfers
- Donor funds from international and multinational organisations and agencies
- Foundations, especially for environmental, human resource and poverty reduction initiatives
Task 5: Reconfirm commitments of each partner

All partnership implementation agreements and memoranda of understanding should be signed and accounted for. Action plan workshops should be organised, sectoral work programmes and budgets approved.

Task 6: Agree on a coordination mechanism

Having a coordinating mechanism is a good idea when multiple actors are involved. This might be an existing individual and/or organisation or might require that a new position and/or organisation be formed. The coordination mechanism should manage progress toward completion of tasks on time, on budget, and to the agreed-upon standard of performance and quality.

Task 7: Agree on monitoring mechanism

Monitoring and evaluation are essential to long-term success. Monitoring mechanisms are discussed in Step 9.

*Action-Planning Frameworks*

There are many examples of action-planning frameworks. They typically include items such as task, responsibility, time frame, progress check, required resources, monitoring documentation records and indicators. They also might include rationale, discussion, risks & assumptions and preconditions. An example using a simple action plan is shown below. More advanced techniques for action planning, such as an objectives-focused framework and a logical framework are provided in the ToolKit (see Tool 7a).

*Example 12: One Task in a Basic Action Plan*

<table>
<thead>
<tr>
<th>Strategic Action: Improve transportation links between transportation centers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Task</strong></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
Strategy Documentation: Preparing the Strategic Plan

At this stage, it is important to prepare a local economic development strategy document to serve as a reference tool to guide local decision-making. The best LED strategic planning documents are brief and easy to use. The general public, government decision-makers and business investors should be able to use it to better understand the local economy. These groups will also search for ways in which they can benefit from a coherent plan or contribute to it. If funds are sought from senior levels of government or international sources, the LED strategic planning document should be able to quickly provide information required and a rationale for coordinated action and efficient use of those funds. The LED strategic planning document should also take into account, and where appropriate, incorporate other planning efforts in the local area. There should also be a continuing programme of communications and outreach to encourage broad-based public engagement and commitment of partners.

Each local area is unique, reflecting the challenges and opportunities it faces. Therefore, the LED strategic planning document will be unique in content, but will likely contain the same summary information – information derived from the Ten Steps of Planning Excellence process as illustrated in this manual. A typical LED strategic planning document will contain the following chapters:

Chapter 1: Introduction

This provides background information and the document’s organisation.

Chapter 2: Where are we now?

This provides the overview of the stakeholders and the situation. It is an analysis of the local economy’s strengths and weaknesses, and the opportunities and threats posed by external trends and forces, as well as the availability of partners and resources for economic development.

Chapter 3: Where do we want to go?

This contains the final vision and objectives that set the strategic direction for the action plan, which is also included.

Chapter 4: How are we going to get there?

This is the strategy and action plan. It represents priority programmes and projects for implementation. Here is where coordination of funding sources and partnerships/organisations for economic development are highlighted.
Chapter 5: How do we know when we have arrived?

Finally, the LED strategic planning document should describe the process for evaluation and periodic update.

Proposal Writing$^{54}$

Once all the pieces are in place, it might be wise and necessary to approach funders (banks, government agencies, international donors, funding agencies) to obtain the necessary financial resources, such as grants or loans. Funding might be available for any of the stages of project implementation from process technical support to capital projects. Writing proposals for small projects might be completed quickly while large proposals (e.g., to the government) can be major undertakings. In each case, it is important to plan ahead and increase the chances for getting the requested funds. Much of the information needed to write your proposal should be available in the strategic plan or from work already completed during the strategic planning process. It might simply need to be reorganised and rewritten. The basic first step before writing your proposal/grant would be to:

- define your project;
- identify the right funding sources and check eligibility criteria;
- contact the funders;
- acquire proposal guidelines;
- know the submission deadline;
- determine personnel needs; and
- update your timeline (this is a good point at which to factor in your schedule time to write multiple drafts, gather materials, etc.).

Once you are ready to write the proposal, put yourself in the position of the person or organisation that will be evaluating it. Of course, be concise and to the point. If possible, keep it to less than 10 pages, excluding attachments.

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$^{54}$ Adapted from Canada-Yukon Business Service Centre at: http://www.cbsc.org/yukon/english/main.cfm
This helpful site also has information for small businesses on Getting Started, Marketing, Exporting, Financing, Taxation, Importing, Business Guides, Intellectual Property, Innovation, E-Business, Aboriginal Entrepreneurs, Women Entrepreneurs, Youth Entrepreneurs, Regulations, Management as well as a web-based Interactive Business Planner and an Interactive Export Planner.
Step 7: Action Planning

To close the Horezu LED planning conference, the group agreed to allocate the responsibility of seven tasks of action planning (show below) to the core group that organised the conference. Participants gave several important commitments at the conference. For example, the University of Bucharest was present and agreed to follow-up with the city on the action of developing plans for improving the city center.

Case Study: Horezu Romania
Step 7: USER NOTES...
Learning Objectives

❑ To learn techniques for moving the written plan into action
❑ To understand the role of organisational development and institutionalization

Following Through

At this point of the process, a written and tangible Local Economic Development Strategy Document has been produced. Here, all the necessary resources should be committed and a clear path of action defined. Putting the carefully designed plans for economic development into action is the most direct and important step in the local economic development cycle. However, beware! Here, LED strategies often become derailed.

Developing the plan is not the end of the process. Too often, once plans have been produced, participants and leaders are misled into thinking that they have finished the process. It is precisely this lack of follow-through that has frustrated so many participants and made cynics of so many citizens and residents. The resulting poor implementation has other common causes:

❑ a lack of political will to act;
❑ changes in organisational or political leadership before implementation;
❑ committed resources are not forthcoming; and
❑ crisis management takes over long-range economic development plans.

Again, paying close attention to these issues early in the planning, such as during Steps 3 and 4, can increase the probability of the successful implementation of the plan. If the problems in the list above have been properly addressed, the main cause of poor implementation will likely be poor management. Provided there is political will, interdepartmental cooperation at the local government level, new or reformed organisational/partnership structures and committed resources, then the remaining key to successful implementation of the LED plan is management with strong project management capabilities. Managers must empower relevant organisations, nurture the core partnerships and provide incentives to individuals and organisations to proceed with action plan implementation.

As a double-check, here are some key questions to ask at the beginning of strategy implementation:

❑ Are the partnerships that the strategy requires too complex?
❑ Are the deadlines realistic?
Two actions can often make a difference. The first is to institutionalize the LED process and strategy. The second is to hire a trained individual, such as an Economic Development Officer with project management experience and the ability to mobilize committed resources (money, skills and time), to promote effective implementation.

**Institutionalization and Organisational Development**

Institutionalization of strategic planning for LED is to make it part of a structured and well-established system. However, changing the way things are done takes time. Therefore, it is desirable to give LED meaning beyond the time or tenure of an enthusiastic individual, political leader or party. Many of the LED actions, new ways of thinking about LED and the use of a participatory approach will take time to be understood, accepted and routinely applied.

Research indicates that the full impact of implementing a LED strategy also takes time, especially if institutional adaptations and adjustments are required. “Building in” participatory processes and making them the “way of doing things” is important. It is possible that some projects will be successfully implemented and remain “project islands,” having little or no lasting impacts. That is because they were not institutionalized or incorporated into the mainstream.

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**Case Reference 19: Ecobusiness Partnerships, Philippines**

Ecobusiness ideas such as “waste back to the producer” are being championed in Europe, and have also been explored at the local level in the Philippines. On the small nature-tourism island of Boracay, international tourists drink water exclusively from plastic bottles. Here, local businesses and municipal officials worked with water companies and finalized an agreement for a “plastic-bottle-buy-back scheme,” which would create local employment for collectors and minimize waste and recycle materials.

Although private businesses agreed, a lack of local capacity and start-up funds has stalled implementation.

*Source: The Boracay Foundation: http://www.boracayisland.org/*

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**Training Resource Link 12**

**UN-HABITAT – Environmental Planning and Management Series**

The fifth volume of the series of publications by the Sustainable Cities Programme of UN-HABITAT on Environmental Planning and Management specifically deals with the challenges of institutionalization, and this can also be used as a training resource link.

It can be found at: http://www.un-habitat.org/scp
To make LED a sustainable activity over the long term requires building on the efforts and commitment of those who crafted the LED strategy. The consultations, stakeholder group contacts, linkages, demonstration projects and the general understanding of LED should become familiar and repeatable in day-to-day practices. Strengthening existing organisations and developing new organisations (see Action 20: Organisational Development for LED) are two ways of institutionalizing and sustaining the LED effort. The following tasks are useful in promoting institutionalization:\(^{55}\)

**Task 1:** Strengthen existing institutional structures to improve the planning, management and coordination of different sectors; only where necessary, create new institutions to accommodate special requirements – both technical and managerial – not covered by existing institutions (e.g., use existing local government staff). Get technical assistance where needed to keep momentum.

**Task 2:** Change or adjust mandates of existing institutions to integrate new functions and roles (e.g., create an office of economic development).

**Task 3:** Identify and task “anchor” institutions to take the lead and provide a home base for LED activities or phases.

**Task 4:** Link to established policy instruments such as annual budgeting, human resource allocation, sectoral work programmes, etc.

**Task 5:** Develop skills necessary to support and routinely apply the LED process (information collection, negotiation, facilitation, strategy formulation, action planning, monitoring and evaluation).

**Task 6:** Modify organisational, legal and administrative frameworks to enable efficient and effective functioning of institutions.

**Task 7:** Provide funds, primarily through public budgetary provisions or allocations, to support capacity-building expenditures and equipment and sustain the framework.

**Task 8:** Maintain knowledge support and a learning process (e.g., through documenting and evaluating experiences and building collaboration with local research or consulting establishments).

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\(^{55}\) From UN-HABITAT, 1999. Institutionalizing the Environmental Planning and Management (EPM) Process Sustainable Cities Programme.
Local Economic Development Organisations

One way to institutionalize LED is by establishing an association or organisation dedicated to local economic development. Examples include Councils for Economic Development and Local Economic Development Agencies (LEDA)56 (see Action 20). These groups are composed of public and private institutions, representatives of political and economic spheres, and civil society (see Training Resource Link 12). LEDAs have demonstrated their effectiveness in several LED initiatives, particularly in institutionally poor environments (e.g., Mozambique).57 In institutionally rich environments some kind of “officialised” LED forum may be more appropriate, ensuring continuity in consultations, dialogue, strategic planning as well as monitoring and evaluation.

Case Reference 20: Organisational Development for LED, City of York, Canada

In March 1993, the City of York established the Local area Economic Development Advisory Committee (CEDAC) to develop a five-year plan for economic renewal. This Committee was made up of stakeholders, including bankers and credit union directors, owners of small and large businesses, school principals, city politicians, realtors, representatives from local area groups and the non-profit sector and business consultants, to name a few. After engaging in a participatory strategic planning process for economic development, CEDAC expanded its membership to include even more stakeholders, by establishing a number of task forces to coordinate the implementation of specific objectives of the economic development plan. These task forces included:

- Small Business Task Force
- Training and Advisory Council
- Niche Development Task Force

Case Reference 20: (continued)

- Transportation and Regulatory Task Force
- Identity & Marketing Task Force

A Steering Committee, made up of the CEDAC Chair, the chairs of each of the Task Forces and staff from the Planning and Economic Development Department of the City, was established to keep an overview of the whole process, monitor and coordinate the ongoing activities of the task groups and maintain momentum through problem-solving.


A Note on Mission Statements

Once economic development organisations or implementing bodies have been formed, it is useful for these organisations to develop a mission statement. This statement authorizes the organisation to perform a specific role in a manner consistent with the local resident’s core values and vision. It acts as a guide to define what the given organisation is meant to do, how it is meant to do it and why.

When developing a mission statement, three basic questions need to be asked and answered:

- What function does this organisation perform?
- For whom does this organisation perform this function?
- How does this organisation go about performing this function?

As circumstances change, the mission statement of the organisation will change to reflect new priorities or understandings. For reference, a sample mission statement is provided below.58

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58 Cited in Lewis, Mike and Frank Green, 1992.
Management tools for a LED Manager

Hiring an experienced manager to administer the LED implementation (and continued planning) is important. Some management tools that an implementation officer should consider are listed below.

Targets

Targets are specific, well-defined ends, usually related to an objective and an indicator. For example, an objective might be to “promote local businesses,” and a related target would be “the publication of three local-area marketing brochures by 1 December 1 of each year.”

Targets are not good decision-making tools because there is no room to make trade-offs between objectives. They can lead to poor decision-making if the focus centers on reaching the target regardless of the multiple objectives the process is pursuing. However, research shows that targets are good for motivating individuals (e.g., sales quotas) and groups, and are a good management tool over the short-term where variables are more controllable. Often, rewards are associated with achieving a target or specific outcome. The downside, however, is that not meeting targets can bring about a sense of failure.

Good management allows targets to be relaxed when better outcomes are possible. For instance, a Business Resource Center may have taken 24 months to build instead of the targeted 18 months, but the delay allowed for proper consultation with the business local area regarding facilities and services and the building of a better, more useful end product. In another instance, the project might have been progressing slower than expected, but the social or environmental costs might have been reduced.
Pilot projects and demonstration projects

Pilot projects are small-scale, short-cycle projects or test projects that prepare the way for replication or expansion. They show, in practice, how a specific problem might be addressed. Pilot projects are effective when a local area is considering doing something new or innovative, but there is great uncertainty about the actual benefits and outcomes. This requires proper monitoring to evaluate whether the project will work. These are especially useful when social processes, behavioural changes and institutional reform might be required.

Pilot projects are also valuable where individual capacity is low and could be increased through a small project, or when it is necessary to capture interest and keep momentum going in the LED process. This typically might happen at the beginning of a participatory process. For example, if a clear and simple project presents itself early in the planning process, pilot projects can be implemented while the more difficult planning work goes on. Used this way, such projects can engage action-oriented stakeholders, while the planning work continues. They require good design, financing and monitoring (See Action 3: Demonstration Projects).

Consistency and coordination

Ensuring that LED projects are consistent with other activities, local priorities, plans and processes in the local area are critical to good implementation management. This includes linkages with other government departments and with all the stakeholders.

Oversight and progress checks

Continuous oversight and implementation monitoring is required to keep an action plan on track. Effective monitoring is typically achieved through meetings, public involvement, workshops, progress reports and other techniques.
Step 8: Organisations and Implementation

The seven tasks identified in Step 8 were being pragmatically pursued in coordination with effective pilot projects and demonstration projects. The first task of strengthening existing institutional structures to improve the planning, management and coordination of different sectors was approached through formal mechanism of approving the LED Strategy and then following up on the strategic objective of training and community organisation, association building.

Organisational analysis would help identify, only where necessary, the creation of new institutions to accommodate special requirements – both technical and managerial – not covered by existing institutions (e.g., use existing local government staff). Get technical assistance where needed to keep momentum. The second task of changing or adjusting mandates of existing institutions to integrate new functions and roles was also pursued through the organisation of a Local Task Force for the LED Strategy and Implementation. Task 3, the identification of “anchor” institutions to take the lead and provide a home base for LED activities or phases was integrated into the implementation plan.

Specific work on Task 4, linking LED to established policy instruments such as annual budgeting, human resource allocation, sectoral work programmes, and other official activities would be an ongoing task. Task 5, developing skills necessary to support and routinely apply the LED process (information collection, negotiation, facilitation, strategy formulation, action planning, monitoring and evaluation) is seen through such activities as conducing an Economic leakage, markets and supply chain analysis. This analysis was not completed in the short time period before the planning conference. Task 6, the modification of organisational, legal and administrative frameworks to enable efficient and effective functioning of institutions would be addressed initially through training.

Finally, the entire implementation programme hinged on Task 7, the provision of funds, primarily through public budgetary provisions or allocations, to support capacity-building expenditures and equipment and sustain the framework.

Follow-up steps that ensure on-going learning and effective implementation were included, as indicated in Task 8, maintaining knowledge support and a learning process (e.g., through documenting and evaluating experiences and building collaboration with local research or consulting establishments).

Using the tasks in the LED Training Series as a guide, the following activities either have been completed or are planned for implementation in Horezu in 2004-2005. At time of publication,
proposals for planned activities had been developed and submitted, and are now awaiting funding approval.

Activities Completed

1. Elaboration of LED Strategy Document

FPDL Facilitators in collaboration with the planning team members from the local government, organised and documented the results of the Planning Conference.

2. LED Strategy Document approved by Local Council

In June 2004, local elections were held. The new Mayor, previously involved in the Local Planning Team, passed the LED Strategy document through the Local Council approval.

3. Training events for young entrepreneurs and Local Government officials

- A course on entrepreneurship for youth “How to start a business” organised in cooperation with the Center for Economic Development in Bucharest – Shell corporate programme “You Can”.
- A Training event on project elaboration was offered by FPDL for Local Government representatives.

4. Summer School for Architecture and Urban Planning University students

10-day Summer School organised by FPDL with the University of Architecture and Urban Planning for 40 students from Architecture and Urban Planning University.

Horezu students, learning in bigger cities in economic and law universities

Through this partnership with the University, ideas were generated for urban renewal and tourism development that resulted in five specific activities.

Planned Activities

1. Training

- Leadership and Management Skills Training will improve the basic knowledge and skills of the most important actors involved in the LED Process – Local Governments Elected and Appointed Officials and Stakeholders, Informal or Formal Leaders – to understand and better perform their new roles in the planning and implementation of Local Economic Development strategies and project

- Change Agents Skills Training will build the capacity of LED Promoters (selected from those who attended L&M) to facilitate problem solving processes, to identify funding opportunities and to elaborate and manage EU funded projects for LED.

- Ecological farming and ecological tourism – experts in ecological farming, and rural tourism will improve business and farmers knowledge and skills in performing these economic activities, in
Step 8: (continued)

order to meet EU criteria through their projects and activities, and develop their businesses.

2. Facilitate participatory processes in order to:

- Elaborate Implementation Action Plans for the four LED main strategic directions with specific tasks for Local Government. Horezu will start with the tourism field where the Summer School developed more advanced and detailed ideas. For the Strategic Objective of adding value to existing economic activities, Horezu will support further situation analysis before action planning that will include the lacking components of Economic leakage, markets and supply chain analysis.
- Organise the Local Task Force for the LED Strategy and Implementation Action Plans monitoring and support
- Develop Projects for LED to be financed by local, national or international/EU resources
- Establish Associative structures, as determined by LED Strategy

3. Building Partnership with Universities

Horezu will support university students by “getting out of their walls“ and use their expertise in working for real clients, while introducing in the graduate or undergraduate courses the new concepts of participatory planning for LED as indicated in the LED Training Series. The following activities are planned:

- Romanian version of the Participatory Planning for LED Manual will be developed to be used for university courses and in other FPDL Programmes
- Summer School will be organised to help with specific expertise other selected community. An exhibition will be organised in Bucharest with results.
- University students will be involved also in the LED information collection.
- Local and National media/TV will present project main events.
Step 8: USER NOTES...
Module Four: Have We Arrived?

Overview

Asking, "How do we know when we have arrived?" is fundamental to successful planning. Answering this question requires that implemented plans be monitored and evaluated. The information gathered and analysis conducted during this process might indicate a need to adjust action plans or might suggest a modification of objectives to keep economic development moving towards the larger vision.

Step 9: Monitor and Evaluate
Step 10: Adjust and Modify
Step 9: Monitor and Evaluate

Learning Objectives

❑ To understand what monitoring and evaluation are, and why they are important
❑ To understand how to monitor and evaluate performance

Understanding Monitoring and Evaluation

Introduction

Monitoring and evaluation (M&E) should be considered during each step of the process, and not as a specific “add-on” that can be conducted only at the end of the process. For each step of the LED process, there are objectives and outputs, which means there are opportunities for M&E. Monitoring and evaluation can be conducted as participatory actions and with expert support. For a simple example, it is worthwhile to monitor a workshop by asking participants if they feel the group is on track. At the end of a workshop, it is wise to ask participants to fill out a short workshop evaluation form.

M&E is not conducted to find fault and be critical, possibly having adverse effects on the action (e.g., government or funding agencies stop the programme). It is a vehicle for accountability, and a management tool for improving the process, programmes, policies and projects. M&E should be used as a way to enhance learning and capacity-building throughout all steps of the LED. This point is important. Often monitoring ends up being only about compliance – are we doing what we said we would do? Or only about results – are we getting the outcomes we expected? Because learning is a core objective, a question not to leave out is: What can we learn by monitoring and how will this help us make decisions next time?

While pursuing compliance, results and learning, monitoring empowers the participants to do a better job and helps promote implementation partnerships as partners work through the process together. When conducted regularly, M&E is a proactive management tool that provides timely, reliable and valid information for adjusting and modifying the LED strategy (see Step 10). The M&E process should be a collaborative one, involving all stakeholders and partners (including the funding agencies) to promote learning and provide a better outcome. The information generated from M&E is valuable to all participants.59

What is Monitoring and Evaluation?

_Monitoring_

Strictly speaking, _monitoring_ means to “observe” or to “check performance.” Monitoring is a continuous process of collecting information, using indicators to gauge the process or project. Regular monitoring allows the timely identification of successes or failures. There are two common forms of monitoring, and this step addresses the second, called impact monitoring:

- **Compliance monitoring** ensures that what was agreed upon is actually done (e.g., the municipality will upgrade road X).
- **Impact monitoring** gauges the impact of actions in relation to the objectives (e.g., the upgrade of road X benefited the movement of goods in and out of the squatter settlement, resulting in ten new transit-related jobs).

_Evaluation_

Evaluation uses the information from monitoring to analyze the process, programmes and projects to determine if there are opportunities for changes and improvements. Evaluation, like monitoring, should promote learning. In the implementation stage of a LED strategy, evaluation is used to determine if the actions are meeting the strategic objectives, efficiently, effectively and/or at all.

Why Monitor and Evaluate?

Ongoing monitoring and evaluation is important for:

- conducting a successful process (efficient and effective);
- keeping control of the local economic development plan; and
- ensuring it has the desired and intended impact.

By tracking performance, monitoring ensures that limited resources for economic development can be put to “best use” and that negative or unintended impacts can be identified and minimized.

Furthermore, effective monitoring and evaluation will sound the alarm when internal and external circumstances in the economic environment have changed, when key opportunities are being missed or when implementation of a project is no longer effective. Adjustments in action plans, changes in priorities or a complete refocusing of strategic objectives can then be made to ensure that the economic development plan remains useful over time. Ongoing monitoring and evaluation should result in the gradual evolution and upgrading of the strategic plan, taking the local area closer to its envisioned future.
Proper monitoring and evaluation is often not done. There are many possible reasons for this, and some practical ways to address them. Some examples are included below:

<table>
<thead>
<tr>
<th>M&amp;E Issue</th>
<th>Possible Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>M&amp;E is not incorporated into the project design from the beginning.</td>
<td>If not from the beginning, design M&amp;E into the process at the earliest possible opportunity.</td>
</tr>
<tr>
<td>Implementing agencies are inexperienced, make mistakes and want this information controlled and hidden.</td>
<td>Treat M&amp;E as a learning and capacity-building process, not a judging process.</td>
</tr>
<tr>
<td>Politicians do not want the public to know about failures, only successes.</td>
<td>A good M&amp;E programme should warn of possible failures before they become too big – and failures typically are revealed anyway.</td>
</tr>
<tr>
<td>It is too expensive, complex and difficult to get all the information.</td>
<td>Use regular meetings/workshops, available information or simple survey techniques (e.g., business satisfaction surveys, informal economy surveys).</td>
</tr>
</tbody>
</table>
How to Monitor and Evaluate Project Implementation

Task 1: Prepare the monitoring plan and framework (using project objectives and indicators (Step 5), determine what will be monitored, what information is required and how it will be collected).

Task 2: Determine who will be involved.

Task 3: Determine when, where, how to monitor and evaluate.

Task 4: Determine the documentation and reporting protocol.

Task 1: Prepare the monitoring plan and framework

Objectives developed in Step 5 serve as the framework for monitoring (and evaluation), and the indicators identify what information is needed in the monitoring programme (see Tool 9a). Monitoring needs to be systematic, and the indicators must be measurable, linked to objectives, indicate the degree to which the action being measured meets objectives, and be understood and agreed upon by those affected and involved. Consider the following questions when setting up your monitoring programme:

- Has a monitoring framework been completed using the original LED objectives?
- Are there other monitoring specific objectives – (include learning here)?
- What key uncertainties are addressed through the monitoring program?
- Have indicators (performance measures) for monitoring been agreed to?
- Do benefits outweigh costs?

Be Systematic – What is to be monitored? How?

It is important to be systematic or consistent in the information you collect for monitoring and evaluation purposes. If information is not collected in the same way all the time for a particular project, it is likely that the data collected will mean very little. For instance, if residents of a local area are surveyed to obtain their reaction to a particular project, it is important to ask each person the same questions in the same way.

Measurability

Indicators can measure a range of products, each of which is linked to the objectives. The monitoring measures might be more extensive than the initial decision-making measures, as more information might be sought to reduce uncertainties about project impacts than was identified in the planning process. Some products for measuring include:
- **Outputs**: concrete and tangible consequences of economic development activities (e.g., number of people trained). This equals compliance.
- **Outcomes**: short-term impacts or effects that can be attributed, at least in part, to economic development activities (e.g., greater adoption of new urban farming practices). These equal results.
- **Impacts**: overall changes in the local area observable in the long-term (e.g., decreased poverty). Impacts are influenced by many factors external to the project.
- **Reach**: the scope of who is influenced by the economic development activities (e.g., involvement of traditionally marginalised groups).

**Linked to Objectives**

For each objective, all indicators should be listed along with where/how relevant information on the indicator can be accessed or gathered. This is essential to demonstrate transparency in data collection and analysis. See Example 14 below.

**Example 14: Linking objectives, indicators and information**

<table>
<thead>
<tr>
<th>Objective</th>
<th>Indicator</th>
<th>Source of Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>To diversify the economy</td>
<td>• Number of new businesses established</td>
<td>• New licenses issued</td>
</tr>
<tr>
<td>To improve and train the local labour force</td>
<td>• Number of graduates from skills upgrading programme that found employment</td>
<td>• Implementing institution</td>
</tr>
<tr>
<td>To increase local-area economic self-reliance</td>
<td>• Household income levels</td>
<td>• Income statistics</td>
</tr>
<tr>
<td></td>
<td>• Employment levels</td>
<td>• Unemployment figures</td>
</tr>
<tr>
<td></td>
<td>• Retention of local dollars</td>
<td>• Local sales volumes</td>
</tr>
<tr>
<td></td>
<td>• Perception of self-reliance</td>
<td>• Business and local area attitude surveys</td>
</tr>
</tbody>
</table>

In most cases, quantitative (statistical/number) indicators will best convey information about the state of economic, social or environmental conditions. However, subjective or qualitative indicators might also be used to enhance understanding of local impacts of economic development initiatives. In other cases, specific data will need to be gathered or a number of indicators analyzed together in order to track performance accurately and to understand the trade-offs involved in pursuing a particular economic development strategy. New data collection programmes might need to be established.

By choosing indicators used in other jurisdictions or areas of government, monitoring can become a useful tool for comparisons and establishing causality. Comparisons between similar communities help establish whether changes in the local economy can be attributed to planned initiatives or are a result of external factors, thereby establishing greater objectivity.
Standardized indicators also allow for maximum use of already-published data, thereby minimizing the need for additional data-gathering and information management.

**Benchmarks and Baseline Information**

To understand how the strategy impacts identified objectives, it is essential to know what has changed. To do this requires baseline information or benchmarks. Once established, these benchmarks are used to compare indicators over time.

**Example 15: Benchmarks**

<table>
<thead>
<tr>
<th>Indicator (linked to objectives)</th>
<th>Benchmark Data 1995</th>
<th>Benchmark Data 2000</th>
<th>Monitoring Data 2005</th>
<th>Monitoring Data 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per cent of children living above poverty</td>
<td>88%</td>
<td>84%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per cent of total employment in value-added manufacturing</td>
<td>37%</td>
<td>50%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Task 2: Determine who will be involved and the structure for implementation**

**Stakeholder Participation: Assigning Responsibility for Monitoring**

One of the more difficult questions is getting approval for M&E, because the only reason to do it is that we might know more later than now; in such cases, institutions need to be sufficiently flexible to acknowledge this learning, do something different and, presumably, better in the future. Building in this sensible institutional response is not easy. Developing a monitoring programme requires assigning responsibility for regular data collection and analysis. It will often make sense for those stakeholders who have been involved in the planning process to continue to be involved in the collection of data and reporting of results to the committee and to the larger community. Involvement can vary. For example, stakeholders can have a:

- direct and substantive role (contributing funding, ideas, information);
- supportive and technical role (research, data collection, information analysis), and
- promotional role (lobbying, campaigning, advocating).  

Project managers responsible for specific action plans might also be responsible for monitoring and reporting results. Involving local residents or volunteers in monitoring and evaluation is another approach that can serve

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60 See UN-HABITAT, 2001.
to capture local-area perspectives on economic development initiatives and involve the local area in (re)directing action plans and development objectives.

*Local Area Agreement*

Different individuals or stakeholder groups will experience and interpret the outcomes of economic development initiatives differently. For some groups, change might be positive, while for others, negative. Therefore, it will often be necessary to understand outcomes from many different perspectives – sometimes in direct conflict with one another. To get a comprehensive understanding of the outcomes of a particular economic development initiative, it is important to involve diverse stakeholders in the local area to determine and interpret the indicators being monitored and/or evaluated.

**Task 3: Determine when to monitor and evaluate**

The timing for monitoring will differ with each project, as will the nature of the objectives monitored and the indicators used. For instance, monitoring can occur:

- daily;
- monthly;
- quarterly;
- annually; and
- within or between project phases.

Some projects might lend themselves to monthly monitoring because indicators are gathered on a monthly basis. A more thorough performance evaluation might then occur on an annual basis until the end of the project’s lifetime, when a final evaluation might be performed. Other longer-term objectives might be more appropriately monitored on a yearly basis with a final evaluation at the end of five years.

Ongoing monitoring is a reflective process: the results obtained from monitoring are fed back into the plan, influencing its future design and direction (e.g., new knowledge might cause action plans to be rethought to meet objectives).

**Task 4: Determine the documentation and reporting protocol**

A final, but often overlooked, aspect of an effective monitoring effort is the establishment of capacity and procedures for the documentation and communication of results.

Here are several important questions regarding documentation and communication:

- How will the monitoring process be documented and communicated?
What happens to the data?
Who gets access to it?
How will it be communicated?
How will the results be used and by whom?

Although documentation might seem costly or burdensome, answering the questions above and establishing the resources to document and share monitoring data will provide savings and benefits when the plan is implemented, evaluated and revised in years ahead. A documentation programme can be used to make reporting consistent and reliable. Since a great deal of information is gathered during the implementation of projects, a documentation programme (guidelines, format, frequency, etc.) can ensure that this information is available for future analysis, assessment and planning exercises.

Results should be regularly communicated to the local area, to assess responses and to encourage awareness of, involvement in, and support for economic development initiatives. Local-area feedback will, in turn, become important in the evaluation process and help stakeholders to adjust or rethink the economic development plan.

Evaluation

Most of what was said about monitoring is also true of evaluation. In fact, all the tasks are the same:

Task 1: Prepare the evaluation plan and framework (using project objectives and indicators);
Task 2: Determine who will be involved;
Task 3: Determine when to evaluate; and
Task 4: Determine documentation and reporting protocol.

However, there are some differences. Evaluation is not a continuous process, but occurs at strategic points during the implementation process (e.g., with project phases; at the end of the planning period (e.g., end of a five-year plan) or several years after the implementation of a plan). Evaluations several years after the end of a given project can provide knowledge about the longer-term results of the project, such as the sustainability of new institutions or the continued use of new practices. This is particularly the case for projects that require lengthy periods of time for certain benefits to be observable.

Evaluations are not created to accept the design of the project or strategy; instead, they question if that design is the best. Evaluation is similar to monitoring because it uses the information from monitoring to analyze the process, programmes and projects to determine if there are opportunities for changes. Evaluation, like monitoring, should promote learning. The evaluation is used to determine if actions taken are meeting the strategic
objectives, efficiently, effectively and/or at all – and if any of these aspects need to change (see Tool 9b).

Evaluation Preparation

Before an evaluation is initiated, it is wise to anticipate all four tasks in the process ahead of time. Several questions, as listed below, can help with this stage:

- Why is the evaluation being undertaken?
- What is the evaluation expected to achieve?
- What type of evaluation is most suitable – who will be involved (e.g., participatory, external expert-based, combined)?
- When is project evaluation to take place?
- How will the evaluation process be documented and communicated?
- How will the results be used and by whom?

Participatory evaluations should include the LED stakeholders and might include local residents in general. How these stakeholders are included is a question of design. They could conduct the entire evaluation themselves, or an external evaluator could be involved. External evaluations by “objective observers” at strategic points during a process and at the end of project cycles can be useful to gain perspectives on what approaches worked well, or less well, in different contexts. They can also provide important feedback on how action plans and objectives can be improved. In some cases, it might be important to have someone outside of the local area evaluate the success of certain projects if politics or connections make it difficult for an objective analysis to be conducted internally. The results of monitoring and evaluation by local residents and stakeholders can then complement these external evaluations.

Evaluation Framework and Substantive Analysis

If a monitoring programme is in place, the development of an evaluation framework will be straightforward. As shown below, an evaluation will identify successes and shortcomings, and attempts to explain them. The evaluation framework will look similar to the monitoring framework, except that anticipated results are compared with actual results.
Example 16: Evaluation Framework

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Anticipated impact on objective</th>
<th>Actual impact on objective</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example: Per cent of children living above poverty</td>
<td>90%</td>
<td>94%</td>
<td>Project exceeded expectations. This was due to...</td>
</tr>
<tr>
<td>Example: Per cent of total employment in value-added manufacturing</td>
<td>70%</td>
<td>65%</td>
<td>Project fell short of expectations. This was due in part to...</td>
</tr>
</tbody>
</table>

In addition, more probing questions should be included in the substantive analysis. These questions might be organised according to the following themes: adequacy and effectiveness; efficiency; contextual review; and, adjustment and recommendations. Possible questions to guide an evaluation using this approach are provided below:

Adequacy and Effectiveness

- Has the action plan been satisfactorily implemented?
- Has the action plan adequately achieved the stated objectives?
- Have the resources been sufficient to carry out the action plan?
- Has the leadership and capacities of the individuals and the organisations been sufficient?
- Will the partnerships and networks formed in the LED process be sustained and strengthened?
- Have the adverse impacts, both anticipated and unexpected, been adequately addressed?
- Can the results be sustained?

Efficiency

- Could resources have been used differently or been substituted to produce more/better results within the estimated costs?
- Could the same results have been achieved for less money or effort?
- Would a strategy option plan have produced the same or better results at a lower cost?
- Were resources managed in the most efficient way possible to achieve the objectives?

Contextual Review

- Have circumstances changed? Have priorities changed?
- Is the SWOT still valid?
Has new information been introduced that changes things?
What were the unanticipated impacts? What changes need to be made to address them?

Evaluation Adjustment and Recommendations

How must action plans change to better meet objectives?
Have conditions changed so much that a complete review is necessary?

Reporting and Communication

Like monitoring, the results of the evaluation should be communicated both to the stakeholders and the community in general. As part of the reporting process, a built-in, local-area feedback mechanism might be important to help direct efforts to adjust or rethink the economic development plan. The main elements typically included in an evaluation report are as follows:

Summary

Chapter 1: Introduction (objectives of the project under evaluation)
Chapter 2: Methods for Evaluation (procedures and tools used to gather information)
Chapter 3: Results and Analysis (objective presentation of results and analysis of results)
Chapter 4: Recommendations (what should happen next?)
Appendices (data tables, surveys, letters of support, etc.)

<table>
<thead>
<tr>
<th>Step 9 Review Checklist for Monitoring and Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔ Identify key performance indicators to measure the success of action plans towards meeting objectives.</td>
</tr>
<tr>
<td>✔ Develop a monitoring programme for measuring each objective, specifying when the project monitoring and evaluation is to occur.</td>
</tr>
<tr>
<td>✔ Identify who is to complete the evaluation.</td>
</tr>
<tr>
<td>✔ Ensure the results of the evaluation are communicated to advisory committees, stakeholders and the community.</td>
</tr>
<tr>
<td>✔ Assess overall progress toward meeting objectives, resultant changes and local area response to changes.</td>
</tr>
<tr>
<td>✔ Set up follow-up evaluation</td>
</tr>
</tbody>
</table>
Step 9: Monitor and Evaluate

At the time of publication, this step of the Horezu process had not been completed.

Case Study: Horezu Romania
Step 10: Adjust and Modify

The monitoring and evaluation process is designed to track performance and identify where and when adjustments in plan implementation at the project level need to be made, or where more fundamental changes to the plan, vision or objectives might need to occur.

Adjustments and modifications should occur throughout the strategic planning process whenever new information arises or new priorities for direction or action are identified. And, of course, on a regular basis (every 5-10 years) the strategy needs to be completely revisited.

Step 10: Adjust and Modify

At the time of publication, this step of the Horezu process had not been completed.

Case Study:
Horezu Romania
Step 10: USER NOTES...
References


http://www.iolo.org/public/english/bureau/gender/papers/index.html#Subject


Local Economic Development: A Guide for Municipalities in South Africa


Local Economic Development has its own language and terminology, and many of the terms surrounding LED require interpretation and negotiation when applied in different institutional settings. Since some of these commonly used terms are not universally understood, the following list of descriptions will provide greater understanding. More LED terms can be found at the World Bank’s Glossary of LED Terms, Web site: [http://www.worldbank.org/urban/led/glossary.html](http://www.worldbank.org/urban/led/glossary.html).

**Action:**

A single activity as part of a strategy option. Example: “Provide infrastructure for informal economy marketplace.”

**Action Plan:**

A result-oriented, time-bound and actor-specific plan negotiated among stakeholders within an agreed strategy framework.

**Additionality (The Principle of):**

The principle that funding from a particular source is additional to that provided by national and local authorities. The additionality principle requires that funds awarded for a project should not be used merely to substitute or replace existing funds, but for additional projects and activities.

**Basic and Non-basic sectors:**

Basic sector activities are those commercial activities whose goods and services are consumed by non-residents of the local area. Money is attracted to the local economy by basic sector economic activities. Once this money is attracted to the local economy, it is in the interest of the local area to keep it circulating locally. This is done by creating “spin-off” economic activities in the non-basic sector whose goods and services are consumed by local residents. The more developed the non-basic sector, the greater the local economic benefits.
Business-enabling environment:

A Business-enabling environment is a pro-market environment that supports enterprise development. It is an approach that should combine governance with culture. Its approach includes clear decision rules and procedures that are needed in government, such as effective business codes and land-use zones that promote long-term plans rather than politically expedient, short-term decisions. It is an environment where the political environment is safe and not corrupt or exposed to the devastating effects of cronyism, nepotism and corruption. Also, enabling environments have a high ease of business entry and efficient regulation-enforcement.

Capital:

Capital is economic and social wealth that relates to, or serves as assets that add to the long-term net worth (of a local area). It is a useful concept for LED because it implies that capital must be maintained and invested in and can be drawn upon in times of need.

Human Capital – The set of skills that an individual acquires, through training and experience, and that increases this individual’s value to society or in the marketplace.

Social Capital – The organisational aspects of society such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit. Includes information flows that provide social links and access to business, economic, market, social and environmental knowledge.

Financial Capital – The cash, monetary investments and monetary instruments used in a functioning economy.

Manufactured and Physical Capital – The technology, machines, tools and factories of a functioning economy.

Natural Capital – The resources, living systems and ecosystem services required for a functioning economy.

Civil Society:

A term used to distinguish a third sector of society, distinct from the market or the economy and the state or government. It is ultimately about how culture, market and state relate to each other. Civil society refers to the set of institutions, organisations and groups situated between the state, the business world, the tribe (in some cases), the family and the individual. It specifically refers to forms of social participation and engagement and the values and cultural patterns associated with them. It often includes voluntary and non-profit organisations (e.g., NGOs, CBOs), philanthropic institutions and social and political movements.
Community:

People living in a particular area with a common history or common socio-cultural, economic and/or political interests.

Community (Local area) Based Organisations (CBO):

These are organisations based in and working in one or more local communities (neighbourhoods or districts); they are normally private, charitable (non-profit) organisations run by, and for, the local area (sometimes covered under the NGO designation).

Core Planning Group:

The core planning group includes the initiators of the planning process who are responsible for ensuring conditions are favourable to initiate and maintain the planning process.

Economic Leakage:

Money circulating in a local area that is re-spent outside of the local area by local residents and businesses; therefore, the money is lost from the local economy.

Entrepreneurial Training:

Programmes that provide guidance and instruction on the fundamentals of business development, such as accounting and marketing, allowing businesses to improve their chances of success.

Facilitator:

A person trained or experienced in leading a participatory process and facilitating group discussion, consultations and meetings. He or she has the skills to apply the various techniques and tools that make joint activities more efficient and more participatory.

Forward Strategy:

This is an arrangement to continue the life of a LED project after the initial project funding has stopped. This is sometimes described as an exit or succession strategy. This should be established at the outset of all projects that are likely to need ongoing capital or revenue resources after the initial period of establishing the project.
Goals (aka targets):

A specific, well-defined end. Example: “Reduce the number of families living in poverty (under the poverty line) by 50 per cent by 2010."

Governance:

Governance is not government. Governance is a concept that recognises power both inside and outside the formal authority and institutions of government. Governance is defined as the ability to coordinate and promote policies, projects and programmes that credibly represent a broad range of interests (e.g., government, the private sector and civil society). Public involvement, institutional development, transparency of decision-making procedures, interest representation, conflict resolution, limits of authority and leadership accountability are all issues of governance.

Globalization (economic):

The rapid spread of markets around the world and the coinciding expansion of economic linkages, integration and interdependence of countries. Economic globalization is being fostered by trade liberalization (the increased circulation of goods) and financial liberalization (the expanded circulation of capital).

Globalization (social):

The rapid spread of ideas and values around the world and the coinciding expansion of social linkages. Social globalization is being fostered mainly by the Internet but also by advances in global travel and communication.

Indicators:

Measures of performance that provide operational definition to the multi-dimensional components of LED objectives and assist with communication. (Also see Performance Measure.)

Institutionalization:

Institutionalization of the participatory decision-making process is absorption and integration of the process principles, capacities and products into the institutions and organisations of the local government, city or higher level of government. It means that the activities of the process will have become normal and will be routinely applied in the day-to-day operations of organisations and stakeholder groups.
Issues:

Concerns that are related to, or affected by, a decision or plan.

Multiplier Effect:

Keeping money that is attracted to the local area circulating locally through the development of the non-basic sector is known as the “multiplier effect.” The lower the multiplier, the sooner money leaves the local area, resulting in fewer jobs and less income. For example, when a foreign tourist stays at a local hotel and spends money (tourism is a non-basic sector), it is in the interest of the local area to supply the hotel with goods and services, such as local art or local laundry services.

Non-Governmental Organisation (NGO) (aka non-profit organisation):

A term applied to a wide range of organisations that are not established by, or operated by, government. NGOs are usually private, non-profit organisations (often include Local Area-Based Organisations).

Objectives (aka criteria):

Objectives clarify a direction of preference that can be traded off (a little more of this for a little less of that). They are decision or evaluation criteria. Example: “Reduce poverty.”

Participation:

The active involvement of different stakeholders in a planning process that allows a spectrum of voices to be included in a final plan.

Performance Measure (see indicator, attribute):

Measures or indicates how well an objective is being satisfied. Example: “The number of families living under the poverty line.”

Planning Question:

The question that determines the purpose of the planning exercise. It is often linked to the triggering event.

Stakeholder:

Individuals and groups that have an interest in, are involved with, or are affected by, a policy or plan devised by government, community or business. In the context of participatory decision-making, this word is applied to groups, organisations (formal and informal, public and private) and indi-
individuals that have an important “stake” in the process of urban management and governance – regardless of what that “stake” might be. Working Groups are often formed with stakeholders and experts in issue-specific strategy negotiation, action planning, implementation of demonstrations, projects, etc.

*Strategy:*

A broad plan or approach.

*Strategy Option (aka alternative; scenario):*

Action or groups of actions that can be taken to achieve given objectives. Example: “Streamline informal economy permit requirements, provide infrastructure for informal economy marketplace and develop business profile to market local area to investors.”

*Value:*

The relative worth, utility or importance of something to an individual.

*Working Group:*

An issue-specific Working Group is a small body of stakeholder representatives and experts who come together to address a multifaceted issue of their common concern. The members possess mutually complementing information, expertise, policy and implementation instruments and resources, which they bring together and use in collaboration within the framework of the participatory process.
This list provides links to external organisations that are primarily active in local economic development. Many of these Web sites provide information, documentary evidence and resources for use in creating and implementing LED strategies. Most have been drawn from the World Bank Local Economic Development Web site: (www.worldbank.org/urban/led).

ACLEDA (The Association of Cambodian Local Economic Development Agencies)

ACLEDA is an independent Cambodian non-government organisation aimed at raising the standards of living of the poor by promoting economic activities ranging from self-employment and small business to medium-sized enterprise.

Association of Cambodian Local Economic Development Agencies
http://gdrc.org/icm/country/acleda.html

The Association of Cambodian Local Economic Development Agencies (ACLEDA) is an independent Cambodian non-government organisation that promotes a range of LED programmes and initiatives through provincial branches and district offices. ACLEDA supports training in entrepreneurship and small business management, the establishment of neighbourhood and village banks, and technical consultancy and credit for medium-sized enterprises.

Bertelsmann Foundation
http://www.bertelsmann-stiftung.de/

The Bertelsmann Foundation is a politically independent foundation guided by the principle that private enterprise can lead to a more humanitarian and sustainable society. It initiates projects in the areas of Economic and Social Affairs, International Relations and Democracy and Civil Society. Currently, the Bertelsmann Foundation and the World Bank are jointly supporting the Cities of Change initiative, which offers local municipalities in Eastern Europe a platform to develop new management concepts for local administration. The participating municipalities will elaborate strategies in the fields of Local Economic Development or Environmental Policy and Solid Waste Management.
**Canadian Urban Institute (CUI)**
http://www.canurb.com/home.php

CUI is a non-profit organisation dedicated to enhancing the quality of life in urban areas across Canada and internationally. The CUI has extensive international experience in the design, implementation, monitoring and evaluation of local-government-capacity development and urban management programmes. Projects have been implemented in countries within the following regions: **Central Europe; Americas; Balkans; and Asia**.

**Center for Local Economic Strategies**
http://www.cles.org.uk/

The Center for Local Economic Strategies (CLES) is an independent think tank and membership network of subscribing organisations involved in local economic development and regeneration activities and local governance. CLES combines LED **Policy Development** with an **Information and Briefing Service**.

**CIDA (Canadian International Development Agency)**

CIDA supports sustainable development activities to reduce poverty and to contribute to a more secure, equitable and prosperous world. The objective of the organisation is to work with developing countries and countries in transition to develop the tools to eventually meet their own needs and to provide basic human needs by supporting efforts to provide primary health care, basic education, family planning, nutrition, water and sanitation, and shelter. Over the next five years, CIDA will strengthen its programming in four areas of social development: health and nutrition, basic education, HIV/AIDS, and child protection. This Web site details the **social development priorities** and **sustainable development priorities** for the country of Canada.

**Cities Alliance**
http://www.citiesalliance.org/

Cities Alliance was created to foster new tools, practical approaches and knowledge-sharing to promote local economic development and a direct attack on urban poverty. Its activities support the implementation of the Habitat Agenda. It is a global alliance of cities and their development partners committed to improve the living conditions of the urban poor.
Corporation for Enterprise Development
http://www.cfed.org/

The Corporation for Enterprise Development (CFED) promotes Asset-Building and economic opportunity strategies, primarily in low-income and distressed communities, and seeks to bring together community practice, public policy, and private markets in new and innovative ways. This Web site contains a wealth of information of economic and community development including resources on Enterprise Development, Individual Assets and Sustainable Economies.

The Competitiveness Institute
http://www.competitiveness.org

The Competitiveness Institute (TCI) is a not-for-profit international alliance of cluster practitioners. TCI seeks to improve living standards and the local competitiveness of regions throughout the world by fostering cluster-based development initiatives. The Web site provides extensive information on sectoral cluster initiatives.

Department of Local Government, South Africa
http://www.dplg.gov.za/

The South African Department of Local Government is a national government department that promotes sustainable development and supports provincial and local governments. The DLG Web site contains a range of resources including a LED Web site with a Department of Local Government LED Manual and Evaluation of Regeneration Strategies.

Department for International Development
http://www.dfid.gov.uk/

As a Federal department of the United States Government, the Economic Development Administration (EDA) provides grants for infrastructure development, local capacity-building and business development to help distressed communities alleviate conditions of substantial and persistent unemployment and underemployment. The EDA Web site contains a range of LED resources including Research Reports on EDA-funded economic development research, Information on the practice of economic development, a Tools of the Trade section and information on the nature of economic development planning and Planning Examples.

The Economic Developers Association of Canada (EDAC) is a national professional membership organisation for local and state economic development practitioners. EDAC offers educational seminars, a national network for techniques, strategies and case studies and federal, provincial and international networking. The Web site provides a range of resources including information on LED Best Practices, Professional Development and Newsletters.

EcoTrust Canada’s mission is to promote the emergence of a conservation economy in the coastal temperate rain forests of British Columbia. Their goal is to transform an economy based on industrial-scale resource extraction to a conservation economy, one with equitable and sustainable resource use. They act as a catalyst and broker to create the institutions needed to envision, inform and finance the conservation economy, support conservation entrepreneurs and conserve and restore the landscapes and waterways needed for its health. They have Information Services and Economic Development programmes and offer tools and resources to those who promote positive change at the intersection of ecosystem conservation, economic opportunity and community vitality. In partnership with Ecotrust, based in Portland, Oregon, they work in the entire rain forest region that stretches from southern Alaska to northern California.
**Environmental Protection Agency**  
http://www.epa.gov/

In leading environmental science, research, education and assessment efforts in the United States, the Environmental Protection Agency (EPA) develops and enforces regulations that implement environmental laws enacted by Congress. EPA is responsible for researching and setting national standards for a variety of environmental programmes, and delegates to states and tribes the responsibility for issuing permits and for monitoring and enforcing compliance. EPA’s Web site contains an Economics Topic Page with links to information on Economic Revitalization and Brownfield Redevelopment.

**Economic & Social Research Council CITIES Competitiveness and Cohesion Programme**  
http://cwis.livjm.ac.uk/cities/

The United Kingdom Economic and Social Research Council, with support from the UK Department of the Environment and others, launched a major research programme on Cities in 1997. The “CITIES: Competitiveness and Cohesion” programme consisted of four major integrated case studies of London, Bristol, Liverpool and Manchester, Glasgow, and Edinburgh, as well as about 20 other projects on key urban research topics. Key findings from the program are available on the CITIES Web site.

**European Association of Development Agencies**  
http://www.eurada.org/

The European Association of Development Agencies (EURADA) is a non-profit-making membership organisation that aims to promote regional economic development through dialogue with the European Commission. It supports the exchange of good practice among Members and transnational cooperation between regional development agencies. EURADA has a membership of about 150 development agencies from 25 countries of both the European Union and Central and Eastern Europe. The Web site provides information on Benchmarking and Projects and access to a number of Position Papers.

**European Union**  
http://europa.eu.int/

As the official Web site of the European Union (EU), the EU site contains extensive information and guidance on EU policy that relates to local and regional economic development and regeneration. The site contains links to official EU sites on Regional Policy, including Interreg III, Structural Funds and Structural Funds Reform, Rules Applicable to State Aid and EU Action in Support of Regional Development.
European Union – Quick Impact Facility
http://www.euqif.ba/index.html

Following the success of the first Quick Impact Facility (QIF), which assisted more than 85 businesses and created more than 2,100 new jobs in three years, the European Commission has decided to continue supporting this programme. The primary aim of EU QIF is to create jobs and support local economic development, particularly in Return Communities throughout BiH.

Federation of Canadian Municipalities

The Federation of Canadian Municipalities (FCM) has been the national voice of municipal government since 1901. FCM is dedicated to improving the quality of life in all communities by promoting strong, effective and accountable municipal government.

Ford Foundation
http://www.fordfound.org/

The Ford Foundation is an independent, philanthropic organisation that works to strengthen democratic values, reduce poverty and injustice, promote international cooperation and advance human achievement. It works mainly by making grants or loans to build knowledge and strengthen organisations and networks. The Foundation’s Economic Development Unit seeks to make durable economic improvements in the lives of the disadvantaged through efforts in Development Finance and Economic Security, and Workforce Development.

Foundation for Sustainable Development

FSD supports the efforts of Latin American and African grassroots development organisations that are working to better their communities, environments and the economic opportunities around them. They believe that economic development begins with community development and is only sustainable if it comes from, and is supported by, the members of these communities.

Fundación Maquipucuna

The Maquipucuna Foundation was founded in 1988 as a non-profit organisation dedicated to the conservation of Ecuador’s biodiversity and the sustainable use of natural resources. The foundation promotes the participation of local communities in its programmes.
German Technical Cooperation
http://www.gtz.de/

As the international development agency of the German Federal Government, Deutsche Gesellschaft fuer Technische Zusammenarbeit (GTZ) is one of the world’s largest service enterprises in the field of development cooperation. The development projects supported by GTZ cover a wide spectrum of Thematic Areas and Tasks. This Web site contains a freely accessible Local Economic Development Toolkit that provides an overview of LED case studies and theoretical perspectives of LED.

Department of Housing and Urban Development
http://www.hud.gov/

The mission of the U.S. Department of Housing and Urban Development (HUD) is to ensure that communities are empowered with the resources to pursue economic and community development initiatives. HUD’s Office of Economic Development works with local government, non-profit organisations and the private sector to achieve synergy. The HUD Web site provides information on a range of Programmes, including the Brownfields Economic Development Initiative, and Economic Development Publications.

IADB (Inter American Development Bank)
http://www.iadb.org/

The Inter-American Development Bank (IADB), the oldest and largest regional multilateral development institution, was established in December 1959 to help accelerate economic and social development in Latin America and the Caribbean. The Bank was created in response to a longstanding desire on the part of the Latin American nations for a development institution that would focus on the pressing problems of the region. This organisation has a Sustainable Development Department that has important information on such topics as state and civil society, infrastructure, financial markets and private enterprise.

ICLEI (International Council for Local Environmental Initiatives)
http://www.iclei.org/

The International Council for Local Environmental Initiatives (ICLEI) is the international environmental agency for local governments. ICLEI’s mission is to build and serve a worldwide movement of local governments to achieve tangible improvements in global environmental and sustainable development conditions through cumulative local actions.
ICMA (International City/County Management Association)
http://www.icma.org/

The International City/County Management Association (ICMA) is the professional and educational organisation representing appointed managers and administrators in local governments throughout the world. The ICMA Center for Performance Measurement is dedicated to helping local governments measure, compare and improve municipal service delivery. ICMA also offers in-depth information on selected local government management issues and Community and Economic Development.

IEDC (International Economic Development Council)
http://www.iedconline.org/

The International Economic Development Council (IEDC) was created in 2001 following the merger of the Council for Urban Economic Development and the American Economic Development Council. As a membership association for economic development practitioners, IEDC provides information to its members that build local economies by means of tools that create, attract and retain jobs.

ILO (International Labour Organisation)
http://www.ilo.org/

The objective of the International Labour Organisation (ILO) is to “promote and realize standards, fundamental principles and rights at work.” To achieve this goal, the ILO assists member States, as well as employers’ and workers’ organisations, to ratify ILO Conventions and implement international labour standards. Since 1994, the ILO is engaged in a process of modernizing and strengthening its labour standards system. The ILO is active in promoting local economic development through public-private-community partnership institutions called Local Economic Development Agencies.

INED (International Network for Economic Developers)

INED was founded at a meeting of the Economic Developers Association of Canada in Winnipeg, Canada, in 1995. At that meeting, representatives of the various organisations came up with the framework that is today INED. INED was conceived to promote and enable an international exchange of information, experience and best practices among economic development practitioners and organisations.
Institution of Economic Development
http://www.ied.co.uk/

The Institution of Economic Development (IED) is a United Kingdom membership organisation for economic development practitioners. IED examines local and regional economic development issues, highlights best practice and organises professional economic development training.

International Union of Local Authorities; Local Government Associations & Association Capacity Building
http://www.iula-acb.org/iula-acb/

The International Union of Local Authorities; Local Government Associations & Association Capacity Building (IULA) Associations of local governments have existed at national and international levels since the early years of the 20th century, making important contributions to development, decentralization and democratization. Their prime objective is to support and strengthen the capacity of their member local governments to meet the needs and expectations of their local communities.

INSEAD (European Institute of Business Administration)

INSEAD is widely recognised as one of the world’s largest and most influential graduate business schools, with a tradition of innovation from its creation in 1957 as a “non-national” European institute, to the opening of the permanent Asia Campus in October 2000. Its goals are to educate the world’s business leaders, accelerate innovation by constant renewal of teaching activities and build intellectual capital by emphasizing investment in faculty and research.

International Union of Local Authorities

The International Union of Local Authorities (IULA) is the oldest and largest global local government association. Founded in 1913, IULA has local government members in more than 100 countries across the globe in all regions of the world.

Institute for Housing and Urban Development Studies

The Institute for Housing and Urban Development Studies is an independent international institute offering post-graduate education, research and advisory services in the fields of Housing, Urban Management and Urban Environmental Management.
Local Economic Development South Africa Best Practices Database
http://www.led-sa.co.za/

Created by the Cato Manor Development Project, Durban, and Rhodes University, Grahamstown, this Web site has been developed in response to the growing importance of locally based LED initiatives in South Africa’s cities, towns and villages. The site provides access to LED documents and a Local Development and Community Economic Development Practitioners’ Newsletter.

Local Government Development Center, Bratislava

The local Government Development Center was established in 1999, after the Slovak-American Organisation Local Self Government Assistance Center, funded by USAID, was closed in 1999. The goal of the Local Government Development Center is to follow up and develop activities started by USAID in 1996 and focus on existing local governments and professional associations in areas of their actual need. The Local Government Development Center is a non-profit, non-political, civic association established to support the development of local government and professional associations in Slovakia.

National League of Cities
http://www.nlc.org/

National League of Cities (NLC) provides a wide range of programmes and services to strengthen the ability of city officials to serve their communities. Many of NLC’s programmes are supported by NLC membership revenues and are made available to city officials at no cost. The site contains information on the NLC’s Workforce Development for Poverty Reduction Project and highlights the key findings of NLC’s Urban Poverty, Economic Development and Cities Project.

National Congress for Community Economic Development
http://www.ncced.org/

The National Congress for Community Economic Development (NCCED) is the trade association and advocate for the community-based development industry. NCCED represents more than 3,600 community development corporations (CDCs) across the United States. CDCs seek to provide affordable housing and create jobs through business and commercial development activities. NCCED serves the community development industry through public policy research and education, special projects, newsletters, publications, trainings, conferences and specialized technical assistance.
Open Society Institute By Soros Foundation Network
http://www.soros.org/

The Open Society Institute (OSI) promotes the development of open societies around the world by supporting an array of activities dealing with economic, educational, social, legal and health care reform issues. OSI is a private operating and grant-making foundation that provides administrative, financial and technical support. The DELTA programme, a joint programme of the World Bank and Open Society Institute, supports municipalities in Kosovo to design and implement local economic development strategies to create an enabling environment for small and medium-sized enterprises. The OSI Web site details a range of OSI initiatives in economic development.

Organisation for Economic Cooperation and Development, Local Economic and Employment Development Program

The Local Economic and Employment Development (LEED) Programme of the OECD analyzes the dynamics of job creation and economic development through locally based initiatives.

Organisation for Economic Cooperation and Development Club Du Sahel
http://www.sahel-club.org/

Club du Sahel was formed in 1976 as an active forum for the Sahelian states belonging to the Permanent Inter-State Committee for the Prevention of Drought in the Sahel. The ECOLOC programme, a joint initiative of the Municipal Development Programme and Club du Sahel, aims to revive local economies in West Africa. The ECOLOC handbook provides information on, and case studies of, LED in West Africa.

Partnership on Local Economic Development

Partnership on Local Economic Development (PARUL) is a joint project between the government of Indonesia, the UNDP and UN-HABITAT. PARUL’s objectives are to promote a more balanced pattern of urban and rural development, to promote Local Economic Development of selected regions and to raise incomes and create productive employment opportunities for poor households in less developed regions.

Partners For Local Development Foundation, Romania

FPDL is a Romanian non-governmental organisation established by trainers and experts in Public Administration; Leadership and Management; Conflict and Change Management; Organisational and Community Development; and Programmes Impact Evaluation.
UNIDO (United Nations Industrial Development Organisation)
http://www.unido.org/

With responsibility for promoting industrialization throughout the developing world, the United Nations Industrial Development Organisation (UNIDO) generates and disseminates knowledge relating to industrial matters and provides a platform for the various actors in the public, private and civil society sectors to enhance cooperation. UNIDO designs and implements programmes to support the industrial development efforts of its clients and offers tailor-made specialized support for programme development. The site provides information on UNIDO’s SME Cluster/Network Development and Business Partnership programme and Business Incubators.

Urban Institute

The Urban Institute is a non-profit policy research organisation established in Washington, DC in 1968. The Institute’s goals are to sharpen thinking about society’s problems and efforts to solve them, improve government decisions and their implementation and increase citizens’ awareness about important public choices. Leaving politics to others, the Urban Institute brings three critical ingredients to public debates on domestic policy initiatives: accurate data, careful and objective analyses, and perspective. This Web site hosts information and research on local-area building and economics.

USAID United States Agency for International Development Making Cities Work
http://www.usaid.gov/

The United States Agency for International Development (USAID) is a federal government agency with a broad remit to support long-term equitable development in developing countries. USAID’s Office of Urban Programmes works to reduce poverty and promote local economic development and urban prosperity in poor countries by helping cities and towns. The Making Cities Work programme sponsors pilot activities to initiate sustainable, innovative, multi-sectoral and urban-oriented work in the developing world. The Web site contains extensive resource pages on Local Economic Development, Regional Economic Development and Urban Poverty.
United States Conference of Mayors
http://www.usmayors.org/

The United States Conference of Mayors (USCM) is an official, non-partisan organisation that represents 1,183 cities with populations of 30,000 or more. Each city is represented in the Conference by its chief elected official, the mayor. The USCM seeks to promote the development of effective national urban/suburban policy, strengthen federal-city relationships, provide mayors with leadership and management tools and create a forum in which mayors can share ideas and information. This Web site contains a USCM Best Practice Database search engine that contains local economic development tools. It also contains information on the CitiesFirst® initiative, a national community revitalization partnership.

World Bank
www.worldbank.org/urban/led

The World Bank Group’s mission is to fight poverty and improve the living standards of people in the developing world. It is a development bank that provides loans, policy advice, technical assistance and knowledge-sharing services to low- and middle-income countries to reduce poverty. The World Bank promotes Local Economic Development to create jobs and to empower poor people to take advantage of local opportunities. The World Bank LED Web site contains a range of resources, including LED Primer, Quick Reference Guide for LED, LED case studies, planning processes and other LED resources. This site is continually updated with new materials and information. The World Bank, in conjunction with the Bertelsmann Foundation, is assisting municipalities in Eastern Europe with Strategic Planning for Local Economic Development, details of which can be found on the Cities of Change Web site. The World Bank Group undertakes a large body of work that, although applicable to the national level, is also relevant to local areas. Further information is available on the World Bank Web site.