

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 Action Guide is the fourth 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 Action Guide identifies possible LED actions and illustrates what communities around the world are doing to promote LED. These actions are intended to spark creativity in generating practical solutions or in adapting them to the local context. The actions and case studies contained in the book are of four categories: Local Government Policy and Regulation, Initial Actions, Advanced Actions and Broad-Based Actions. Facilitators can use the highlights of case studies documented and cited in this book to inspire and stimulate stakeholders in generating appropriate responses to the local economic development challenges. 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.

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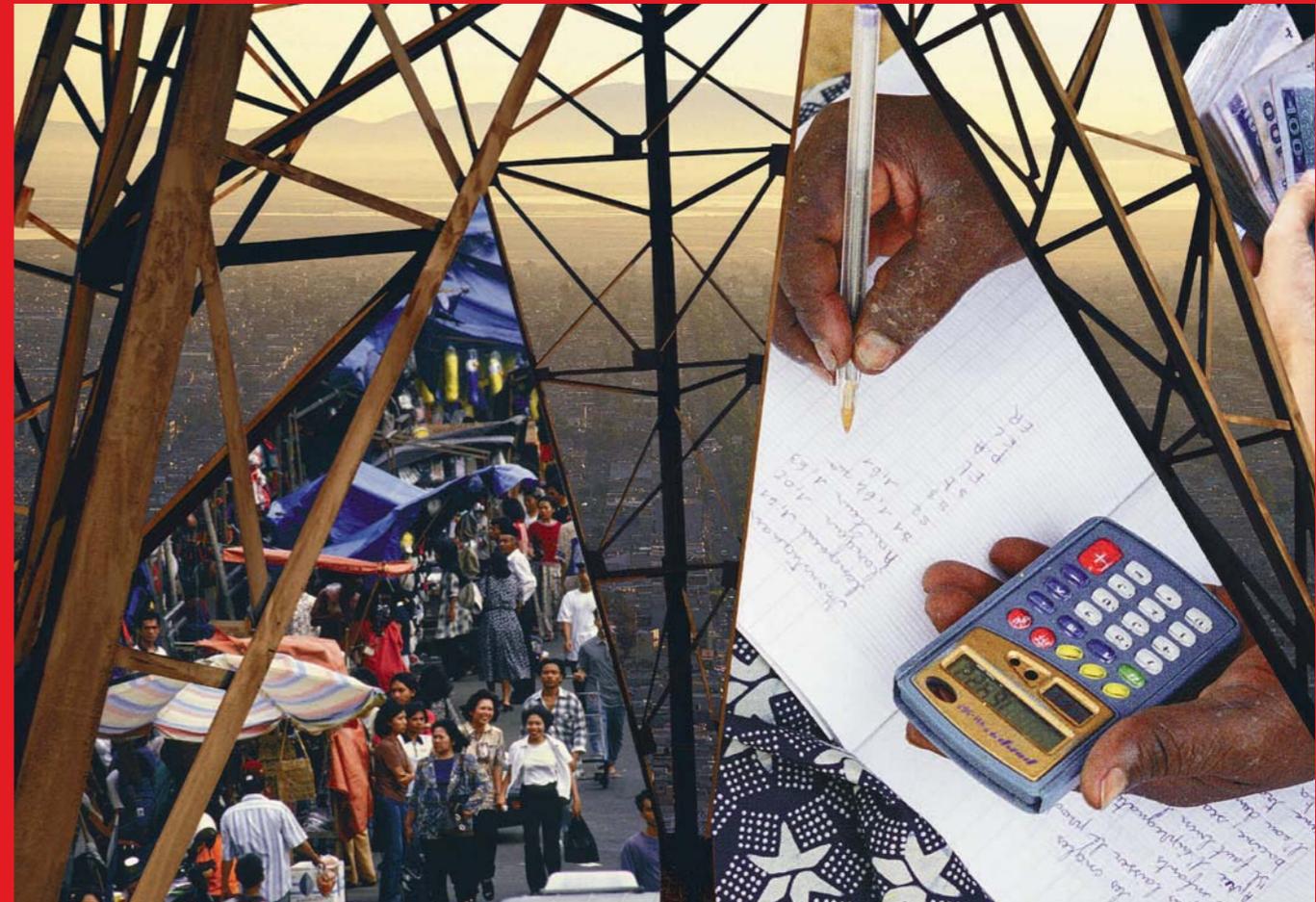
Promoting Local Economic Development through Strategic Planning –
Volume 4: Action Guide
92-1-131721-5 (Series)

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Promoting Local Economic Development through Strategic Planning – Volume 4: Action Guide

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Volume 4: Action Guide



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The Local Economic Development Series

Promoting Local Economic Development through Strategic Planning

Volume 4: Action Guide



UN-HABITAT

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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 marginalized 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 Tibaijuka
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 Boule, 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.

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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.

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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 Hearn 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 series.

William Trousdale
Principal Author

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Introduction

This document, **Volume 4: Action Guide**, is the last document in the Local Economic Development Training Series. It is a companion piece to **Volume 1: The Quick Guide**, **Volume 2: The Manual** and **Volume 3: The ToolKit**. **Volume 4: Action Guide** focuses on Ideas and Case Studies. It has been developed to identify common LED actions and illustrate what communities around the world are doing to promote local economic development. The **Action Guide** document is geared for two target audiences. First, facilitators can use appropriate case studies to draw out key points as they help a group move through the participatory planning process. In particular, the **Action guide** document provides support for *Step 6: Identifying and Evaluating Alternatives*, in **The Manual**. Second, practitioners in the field, such as local government staff and municipal leaders, can find pragmatic examples of what is happening in other communities. The intent is for these action ideas to spark creativity and be adapted to the local context.

Part I provides a summary overview and description of common LED actions. The descriptions should alert LED professionals to the range of LED opportunities available for creating a LED strategy. However, most actions will require additional process, such as more in-depth research, analysis and implementation. Therefore, references for further information and related resource links are provided. Similarly, the case studies provided are brief, providing an introduction of how a LED action was implemented, and then providing links where additional information can be obtained. The combination of actions and case studies are divided into four subsections:

- ❑ Local Government: Policy and Regulation
- ❑ Initial Actions
- ❑ Advanced Actions
- ❑ Broad-Based Actions.

Local Government: Policy and Regulations is the first section. It is provided as the initial section because almost every LED action will, or should, involve the local government to some degree. Local governments are important since they are deeply involved in local business activity as suppliers of infrastructure, as tax collectors, through service delivery, resource allocation and as regulators of land, buildings and activities. Therefore, nearly every action described in this document will need to consider the role of the local authority.

Many communities will want to see visible and tangible results quickly, and/or might not have the financial capital or governance capacity to tackle big projects right away; therefore, this document is arranged so that basic ideas and actions are presented first. These *Initial Actions* represent the starting points for

local economic development and might be good first steps in getting a strategy moving forward. These actions, by and large, do not require significant financial capital, infrastructure requirements or organizational capacity. Examples of *Initial Actions* include creating a stakeholder group, committing to 'buy-local' goods and services and implementing demonstration projects.

These *Initial Actions* are then followed by *Advanced Actions*, which require more technical know-how, organizational capacity, experience and money. In fact, most of these actions will require additional research, specific expertise and more time than initial actions. Of course, scaled-down versions might be possible and implemented as demonstration projects (see *Action 3: Demonstration Projects*). Depending on your approach, these *Advanced Actions* might be one part of a larger LED strategic plan, or in some cases, might be all that the local community is capable of implementing. Examples of *Advanced Actions* include constructing physical infrastructure, establishing business incubators or organizing co-operatives.

The final sub-section looks at larger action programs, referred to as *Broad-based Actions*. These are more comprehensive approaches, or sector-specific alternatives (e.g., sustainable tourism), that incorporate many of the previously outlined actions in an integrated program. Although they can be more expensive and complicated to co-ordinate, broad-based alternatives generally bring significant results, given their comprehensive and integrated nature. Examples of *Broad-based Actions* include informal economy, sustainable tourism and urban-rural linkages.

For each action, a summary is provided to explain the action, simple steps for making the action work are outlined, its community benefits highlighted and its challenges and obstacles discussed. With the overlap and inter-relation between many of the actions, the sub-sections also highlight-related actions. Finally, given some of the complexities involved in implementing some of the actions and developing the broad-based action programs, case studies for each of the actions and resource links are provided.

Table 1: Overview of possible LED Actions

Local Government		
Action 1.	Policy and Regulation	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.
Initial Actions		
Action 2.	Stakeholder Implementation Group	Once the plan has been agreed to, there needs to be an organizational mechanism for implementing it. Either an existing agency with an identified individual needs to take the lead, or an implementing organization 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.

Table 1: Overview of possible LED Actions (Continued)

Action 3.	Demonstration Projects	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.
Action 4.	Research and Analysis	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).
Action 5.	Study Tours	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.
Action 6.	Local procurement and "buy local" campaigns	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).
Action 7.	Simple upgrading of local business areas	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.
Action 8.	LED Publications	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.
Advanced Actions		
Marketing and Knowledge Management		
Action 9.	Knowledge Management	A tremendous amount of information from best practices to lessons learned to business matching depends on good knowledge management. Collection, access and organization of information and data in a usable way are important. Developing information portals (Web-based) is one way to manage and use knowledge.
Action 10.	Marketing and Promotion	Marketing is a process and a product that uses information to identify customers, position a local area, and sell the local area and/or its products. Promotion is part of marketing. Marketing strategies combine other actions (publications, upgrading, knowledge management) in a strategic way for specific market purposes.
Entrepreneur and small business support		
Action 11.	Incubators	An incubator consists of a building or set of buildings where office space is rented out to fledgling businesses at below-market rents to help minimize their overhead.
Action 12.	Skills Training Center	A skills training centre is a facility that works in partnership with businesses and the local area to provide access to education and training in various fields, conduct programs to assist the creation of employment opportunities and make available a job bank network for the local area.

Table 1: Overview of possible LED Actions (Continued)

Action 13.	Micro and Small-Scale Enterprise (MSE) Development	Micro and Small-Scale Enterprise (MSE) development planning at the local government level aims to create linkages and networking among different stakeholders and sectors of the local economy, and typically includes business support, training and micro-credit.
Action 14.	Small Business Development Centers	Small Business Development Centers (SBDC) are places designed to provide a range of support for local prospective and operating entrepreneurs to develop their capacity to run a small enterprise effectively and profitably. Like MSE, they seek to create linkages and networks, and often include links to business support, training and financing.
Physical revitalization, infrastructure and land planning		
Action 15.	Physical infrastructure investment	Investments in physical or “hard” infrastructure projects are undertaken to improve the built environment. Often these projects are done to improve economic efficiency (transportation) and/or quality of life (water, sewer, power), which make the local area more liveable and attractive for business retention, expansion and attraction of new businesses. Government or partnerships can implement physical infrastructure.
Action 16.	Clusters	“Clustering” refers to firms or entrepreneurs (including farmers) engaged in similar economic activities locating in one area and working together to advance business opportunities and add value. Related concepts are growth nodes and investment corridors.
Action 17.	Industrial/Business/ Science and Eco-Parks	The idea is to set aside or zone a significant area of land (a park) where specific activities will take place. Eco-industrial parks (or eco-clusters) have been promoted and are basically the same concept, except they intentionally try and attract businesses that can co-operate to improve their environmental and economic performance through more efficient use of raw materials, reducing outputs of waste, conserving energy and water resources and reducing transportation requirements.
Action 18.	Town center / business area upgrading	Similar to Action 7 but more resource intensive. Town Center Enhancement typically involves partnerships and can include physically upgrading the area (building renovation, banners and flags, greenery, daily street cleaning), targeting investment, marketing, events, etc.
Action 19.	Linking of permits	Development linking is when the concept of spatial planning (bringing people and jobs closer together to reduce traveling times and costs) is expanded by linking profitable growth with redistributive development – concurrent with permitting real estate developers to build in profitable areas, local governments require complementary investment in more impoverished neighborhoods.
Organizational Development for LED		
Action 20.	Creating LED Organizations	Local economic development organizations 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.

Table 1: Overview of possible LED Actions (Continued)

Action 21.	Co-operatives	A co-operative 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 Co-operation Mechanisms	For local areas, co-operating in a competitive world is a key to success. Both formal and informal mechanisms exist for promoting greater co-operation.
Finance		
(also see Action 21)	Financial Co-op	Local lending institutions and financial co-operatives.
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 organizes 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.
Investment		
Action 26.	Foreign Direct Investment	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.
Action 27.	Domestic Inward Investment	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.
Broad-based Actions		
Action 28.	Support for the Informal Economy	The informal economy is comprised of economic activities not recorded and not subject to formal rules of contract, licensing, labor, 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 labor and public health and safety.
Action 29.	Sustainable Tourism	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.

Table 1: Overview of possible LED Actions (Continued)

Action 30.	Urban-Rural Linkages	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 co-operative networks.
Action 31.	Invest in Natural Capital	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).

Local Government

Local Government: Policy and Regulations is the first section. It is provided as the initial section because almost every LED action will, or should, involve the local government to some degree. Local governments are deeply involved in local business activity as suppliers of infrastructure, as tax collectors, through service delivery, resource allocation and as regulators of land, buildings and activities. Therefore, many actions described in this document will need to consider the role of the local authority.

Action 1. Policy and Regulation

Related Actions: Partnerships, Institutional Co-operation Mechanisms

Summary

Local government policy and regulation is complex and far reaching. As much as the local government can support LED, it can also hinder it. Recent research indicates that local government can play an active or passive role in LED, depending on its political philosophy, but in every case, creating business-enabling environments is very important. Assessing how to streamline the complexity and cost of government bureaucracy, and evaluating options for improvement, should go hand-in-hand with evaluating options for promoting LED objectives through government channels.

A few examples of local government involvement in LED include, but are not limited to, the following:

- ❑ Land and Property:
 - Land Title
 - Property rights enforcement
 - Property Registration
 - Zoning
 - Expropriation
- ❑ Planning and Development Control / Permitting
 - Real estate development permits and improvements
 - Building plans (new and improvements)
- ❑ Taxes, User Fees and Collection
 - Property
 - Infrastructure

- ❑ Infrastructure Provision and Maintenance
 - Transportation (roads, rail, ports)
 - Electricity
 - Water and sewer
 - Garbage collection
- ❑ Regulations and Licensing
 - Business
 - Health and safety (environmental standards, occupational health)
- ❑ Promotion and marketing
- ❑ Services
 - Policing
 - Fire, etc.
- ❑ Communication
 - Internal -operations and procedures
 - External -public information
- ❑ Public involvement

Making Policy and Regulation work

Ensure political commitment

Policy and Regulation requires political commitment along with the desire and vision to effectively work with the local area to bring about long-term development and change.

Establish clear decision rules and procedures in government

Effective business codes and land use zones that promote long-term plans and a clear and stable economic “playing field” are some examples of government regulations that promote LED.

Create a political environment that is safe

Poor economic policies and weak government systems can negatively affect LED by increasing risks and production costs. For example, risks and 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. For many investors, consistency, predictability and clarity of government policies and regulations are as important as a business environment with few restraints.

Create business-enabling environments that have a high ease of business entry and efficient regulation enforcement

Jurisdictions with heavy regulation and weak enforcement have higher rates of corruption, are less democratic and are more likely to be poor.

Clarify local property rights and enhance real estate management capacity

Fostering LED through local government policy development and implementation often requires a land-use planning system that is real estate development savvy and able to work effectively and efficiently with private sector development companies.

Update administrative systems and procedures

Revised tax valuations, updated property registers and better data management are important for effective policy and regulation. Local authorities also need control over determining how land should be managed (e.g. enforceable zoning regulations), as well as procedures for changes to legal and legislative frameworks.

Combine governance with culture

For institutions and strategies to gain respect, legitimacy and acceptance by the local citizens is required. Involving local citizens in developing policy and regulation can help achieve these goals. **Step 2: Stakeholders and Participation** in **The Manual** discusses how to do this.

Monitoring

Effective policy and regulation requires careful monitoring of the local economic context and the effects of policies that have been implemented. This is important to maintain flexible and adaptable policymaking, which can respond effectively when new or revised policies are needed.

Community Benefits

❑ **Facilitates equitable and appropriate investment and development**

Local governments can help smaller businesses gain more equitable access to land and property through grant programs, zoning initiatives, land assembly and other price control programs.

Local government can also encourage economic development that reflects the values of the community.

- ❑ Encourages more appropriate, community-based development of the city or municipality
 - Land-use planning can help define the location of many city activities and industries to ensure a more livable city with a good balance of accessible jobs, community services, housing and infrastructure.
- ❑ Stimulates the creation of small- and medium-sized enterprises
 - A local government is often able to offer strategic property tax incentives, offer reduced cost services (e.g., water, sewer, electricity, etc.), provide grants or assist in other ways to make it easier to establish small and medium-sized businesses.

Obstacles and Challenges

- ❑ Corruption and capacity
 - Perhaps one of the most pressing challenges in LED is implementation and administration of both process and actions. Beyond the simple lack of capacity and follow-through are the negative effects of cronyism, nepotism and corruption, which can be particularly negative when policymakers are preoccupied with maintaining or enhancing personal power. Strong and appropriate institutions are necessary.
- ❑ Lengthy implementation period
 - It can take a great deal of time to develop and implement supportive local government policies, which can lead to a LED planning process losing momentum. Often municipal bureaucracy is a factor in slowing and sidetracking LED initiatives.
- ❑ Unanticipated Results or Events
 - Policymakers should be able to respond to negative outcomes of currently existing policies, or when unanticipated adverse events occur that impede the LED process. Flexibility and adaptability in policymaking are very important. Monitoring can help stakeholders respond effectively.

Case Study 1: Pilot Project in Networking for Local Economic Development, Slovakia

Members of the Slovak City Managers Associations asked the Local Government Development Center (LGDC, a small NGO focused on training, institution-building and international co-operation) to help them better understand the concept of local economic development for municipalities. Their proactive request was based on daily problems they have had to solve, significantly influenced by overall transition processes in Slovak society and its economy.

LGDC prepared a pilot project called Networking for Economic Development, funded by the US Embassy in Slovakia's Small Democratic Grant scheme. Eight cities put together teams of four representatives each – one from local government, one from district state administration, one from local business and one from a NGO. The pilot project was designed as a series of five workshops.

The first two workshops focused on soft skills – learning how to better communicate together, how to build teams, solve problems, negotiate and make decisions. A third workshop asked an economic development practitioner from a US municipal office to lead a workshop entitled, "What is working for us?" The fourth and fifth workshops were focused on situational analysis and action planning. Each city put together some ideas about how to follow up on setting a LED approach in their community, whom to involve and how to start.

The most important impact of the project was that cities started incorporating LED into the way they do business by changing their organizational charts and creating the position of economic development officer. Several municipalities started to work on projects using a new approach that included involving a wider group of stakeholders and promoting public communication and involvement in LED.

Contact: Local Government Development Center, Slovak Republic www.crs.sk

Case Study 2: Land Titling Project in Laos

The People's Democratic Republic of Laos has suffered from informal and unclear land ownership and titling and valuation methods, which combined to make property development projects and associated LED projects difficult to undertake. To resolve these issues and develop a clear land title system, the national government decided to develop an efficient property development system and market by creating a system of clear and enforceable land-use ownership rights and by developing land-valuation capacity. The seven-year US\$28.4- million project is being administered by the World Bank.

Through this project, about 258,500 parcels of land, corresponding to an equal number of families, will be registered. This will benefit about 1.3 million people in urban and peri-urban areas, mainly low-income land holders. They will have secure tenure against unfair land acquisition, the opportunity to sell land rights at fair prices and the ability to use land as collateral. This will reduce conflict over land rights.

The main components of the project include:

- Completion of a policy and legal framework for land management and administration;
- Implementation of an accelerated land titling program;
- Improvements in the infrastructure, facilities and systems for land administration;
- Improvements in land valuation; and
- Support for project management and implementation, and institutional strengthening.

Studies have been completed on community land tenure and registration, definition of forest boundaries, cost recovery, land-rights issues on nationalized lands and the socio-economic impact of land titling. The project has also sought to address and incorporate gender issues. Registration of property rights reflect women's traditional rights to property (e.g., land owned by a woman prior to her marriage remains her individual property). The Lao Women's Union has been included as a member of the Project Oversight Committee at a provincial level, and provisions have been made for gender awareness training, and monitoring gender statistics of land registration. The socio-economic benefits of land titling are illustrated by the success of the First Thailand Land Titling Project, completed in 1991. Impact surveys showed that

- Farmers with land titles increased their borrowing from institutional sources by 27 %;
- Borrowers using land as collateral received 75 to 123 % more institutional credit;
- Farmers with land titles had higher agricultural output and performed more land improvements than those without;

Case Study 2 (Continued)

- Titled land was 75 to 192 % more valuable than undocumented land; and
- Revenues from land-related taxes increased 500 % over a ten-year period, to US\$1 billion.

Further Information:

www.finnmap.laopdr.com/

www.wds.worldbank.org

Case Study 3: Small enterprises to solve environmental problems and create jobs in Dar es Salaam, Tanzania

Women and youth are the first beneficiaries of new-style privatization that City Council adopted with ILO support in 1997. Collection and transport of solid waste in the city of Dar es Salaam resulted from the privatization and has helped create more than 1,500 jobs. Additional benefits include extending waste collection to previously un-serviced low income areas.

An important institutional innovation resulting from this experience has been that community-based enterprises have entered into contracts with the local authorities. The public-private partnerships clearly specify the rights and obligations of both parties: the community groups and the local authorities. This represents an important step towards the formal recognition and empowerment of informal service providers. These “franchisees,” about 70 in all, are private enterprises, associations and community organizations. Sensitization campaigns, neighborhood meetings and support from the local elected ward leaders were crucial in ensuring fee payment by the serviced households and businesses. These fees make up a living wage for the waste collectors and cleaners. Moreover, the official recognition and praise they are receiving all round has altered their self-esteem and feeling of belonging to the local economy. They have recently formed the Dar es Salaam Waste Management Association (DAWAMA), officially registered in April 2001. Recycling and safe and healthy working conditions are key concerns. WHO and UNDP/LIFE have donated small safety equipment to the workers.

After the evaluation of the project confirmed the relevance and effectiveness of the approach, many other municipalities in Tanzania want to follow the project’s lead. Neighboring Kenya and Uganda, as well as authorities in Zambia and Lesotho, have asked the ILO for assistance to tap into the huge potential of jobs for in cleaning their cities.

Source: ILO and UN-HABITAT

www.ilo.org

www.unhabitat.org

Resource Links

Governance, Policy and Regulation:

UN-HABITAT: Urban Governance Toolkit Series

<http://www.unhabitat.org>

World Bank:

http://www.worldbank.org/urban/city_str/cds.htm,

http://www.worldbank.org/urban/re_dev/red_body.htm

Cities Alliance:

<http://www.citiesalliance.org/>

Initial Actions

Because many communities will want to see visible and tangible results quickly, and might not have the financial capital or governance capacity to tackle big projects right away, this document is arranged so that the basic ideas and actions are presented first. These *Initial Actions* represent the starting points for local economic development and might be good first steps in getting a strategy moving forward. These, by and large, do not require significant financial capital, infrastructure requirements or organizational capacity. Examples of *Initial Actions* include creating the stakeholder group, committing to 'buy-local' good and services and implementing demonstration projects.

Action 2. Stakeholder Implementation Group

Related Actions: Demonstration Projects, Research and Analysis, Partnerships

Summary

Stakeholder Implementation Groups are a group of identified stakeholders who work together to implement and advise a project or plan. They provide significant benefits for LED in many different ways. They can participate in the development and implementation of a Local Economic Development plan. They can also help to institutionalize LED, since Stakeholder Implementation Groups often continue to exist beyond the time and tenure of an enthusiastic individual, political leader or party.

Stakeholder Groups can have different roles. On the one hand, they can make recommendations on the broader policies, plans and different actions that should be taken, on the other, they can act as a working group that provides information required by the Stakeholder group on a specific topic. Stakeholder Groups are sometimes also referred to as a Local Economic Development Agency (LEDA), Task Force, Advisory Committee, Coalitions etc. They are generally composed of interested groups or individuals from public and private institutions, representatives from political and economic spheres, and interested individuals from the community or local area in general.

In *Step 2: Stakeholders and Participation*, **The Manual** suggests involving stakeholders in the planning process and to seek ways to increase public participation. Stakeholder Groups are an excellent way of

doing this for a variety of reasons. The first is Stakeholder Groups can increase the involvement of stakeholders in the planning process. Second, Stakeholder Groups can build capacity within community groups and the wider community. Third, Stakeholders Groups allow stakeholders to interact in a formal structure. This formalized interaction can encourage the formation of partnerships, friendships and other links. Fourth, Stakeholder Groups are often key actors in implementing a plan and ensuring “buy-in.” Stakeholders become personally and organizationally invested in the plan and the actions that come out of it, and therefore wish to see it succeed. (For further information see *Action 4: Research and Analysis*.) Finally, Stakeholder Groups provide a place for stakeholders to share information, exchange ideas and learn about each other, which in turn can lead to a strong community.

While the benefits of creating a Stakeholder Implementation Group are many, for these benefits to be realized, it is important that a clear mandate and terms of reference are set out at the beginning of the LED process. Support might be needed in the form of information, personnel, resources or training, to ensure that the Stakeholder Group is able to carry out its necessary functions. Pitfalls do exist, insofar as Stakeholder Groups can quickly consume a great deal of time and resources. As well, achieving a desired, balanced representation can be quite difficult, but it is important for the legitimacy of the group. Nevertheless, the benefits of a Stakeholder Implementation Group greatly outweigh the challenges they pose, and in carefully considering the obstacles, it is possible to avoid them!

For further information see *Step 2: Stakeholders and Participation* in the **Manual**.

Making Stakeholder Implementation Groups work

Encourage widespread participation

Encourage the creation of Stakeholder Implementation Groups by providing incentives to participate. For example, an event featuring interesting guest speakers might help to increase interest in the project. Events will also help to identify groups or individuals who were not identified in *Step 2: Stakeholders and Participation* of **The Manual**. See *Step 2, Task 2* of **The Manual** for guidance on the size and structure of the stakeholder group

Ensure balanced representation

To ensure the continued engagement of major stakeholders, good representation is important. Having a wide variety of interested parties from different sectors of society is important to legitimize the group. This will also help to ensure that the recommendations made by the group do indeed represent the

desires and needs of the wider community. Good representation within the group can also help to alleviate any unforeseen opposition.

Representation of public and private institutions is necessary, as is the inclusion of political actors, local business operators and community stakeholders. It is also important to ensure that marginalized stakeholders are encouraged to participate and are provided the opportunity to participate in the stakeholder group. Ensure that barriers to participation are identified. Providing things like day care, food or holding the meetings in the evenings might encourage more participation from women and the poor. It is also important to think about strategies to encourage youth participation.

See *Step 2: Stakeholders and Participation* of the **Manual** and **Tool 2a** in the **Toolkit**.

Ensure there is adequate support

Stakeholder Groups require support, but the support required will vary, depending on the activities the group is engaged in and the resources available to the group. In general, support can take the form of providing information, personnel or training in the areas of moderation, facilitation, negotiation and conflict resolution. It can also include providing technical information, guidance during the planning process and administrative or technical support that can come from internal or external sources. At this stage, it is important to think about how the group will be organized and who will facilitate the meetings.

Community Benefits

- ❑ **Fosters partnerships**
Stakeholders participate actively to clarify issues, formulate strategies, develop action plans and implement demonstration projects, which promotes a shared sense of purpose, as well as a shared commitment to the plan. This is known as “buy-in,” and can be a strong contributing factor to the long-term success of a LED plan.
- ❑ **Builds understanding**
Increased understanding among stakeholders is achieved through their involvement and co-operation on a specific project or issue. This can lead to the possibility of reaching consensus or compromise on issues, through the sharing of information and stories.
- ❑ **Increases stakeholder capacity**
Participating in a Stakeholder Implementation Group provides an opportunity for Stakeholders to analyze problems, find solutions, expand their network and

interact with a wide variety of stakeholders, both in the public and private sector; this increases their capacity to engage in an ongoing way in the decisions and activities of their community.

Obstacles and Challenges

- ❑ Time and resources
Stakeholder Groups require time and resources. This is often challenging for the host organizations and the stakeholders themselves. It is important for the host organization to assess in advance what resources will be available to the Stakeholder Group, and how much time will be required of the group. It is equally important to provide incentives to the Stakeholder, where appropriate, to avoid process fatigue.
- ❑ Achieving cross-sectoral representation
As noted, it is important to have a good representation of the stakeholder members in the group. This is sometimes difficult to achieve for a variety of reasons, such as a lack of capacity within a stakeholder group, lack of resources or lack of desire to participate. It is the challenge and the responsibility of the local leaders and partner organizations to encourage groups to participate. As well, the core planning group can assess what incentives might be available. The core planning group can also assess barriers to participation.
- ❑ Group dynamics
Whenever stakeholders from a variety of backgrounds and interests gather, conflict can arise. The reasons for conflict vary, but typically relate to loyalties, ambitions, prejudices, differing political ideology or conflicts of interest. These are not easy to handle – but they are inescapable in any activity where people work together. It is important to devise strategies to deal effectively with such conflict, so that the group is able to productively engage in the work it was brought together to do. A clear Terms of Reference can be one tool used to eliminate confusion or misunderstandings later on in the planning process. Additionally, negotiation and mediation might be required to address some disputes in a relatively non-adversarial manner. (See *Tool 2d* in **The Toolkit**).

Case Study 4: LED with LEDA, Mozambique

The case of LED in Mozambique is an excellent example of a successful LED experience, generating nearly 1200 jobs in almost 120 newly formed enterprises in less than two years. The LED initiative began in Mozambique in 1999. The project fell under The UN Interagency Program PDHL/MOZ (Programa de Desenvolvimento Humano a Nivel Local: Human Development Program at the Local Level), launched in March 1999, of which LED was a component developed by the ILO.

Local stakeholders were involved at various levels and in various groups. One group was the Grupos de Trabalho Distrital, made up of representatives from the public and private sectors, and funding agencies, like the PDHL and ILO. This group contributed to a more comprehensive understanding of major problems in the local economies and stimulated interest and awareness for integrated actions and initiatives. Subsequent to this group, workshops were held in the different districts that enabled the first exchanges of information among local stakeholders. These groups were followed by LED Forums in each province to develop their individual strategies, implementing measures and activities. For example, in the province of Manica, the forum consisted of 42 representatives from the public and private sector, civil society and funding agencies, many of whom had been involved in the previous workshops. This forum decided to establish a Local Economic Development Agency (LEDA) to develop LED initiatives.

The discussions of the working groups resulted in the formulation of a LEDA profile containing the following sections: introduction; nature of the organization; general and specific objectives; activities; organizational structure and terms of reference or mandate; participants and representation; intervention strategy and sustainability. The Local Economic Development Agencies in Mozambique were incorporated as legal entities.

Although the Local Economic Development Agencies (LEDA) are still relatively new institutions in Mozambique, they have generally experienced acceptance at all levels, from the national government to the local administration, from the private sector to the NGOs working in the areas. One of their main objectives and achievements has been to foster social dialogue and increase the participation of a wide range of socio-economic actors. At the same time, one of the important contributions of the new institutions has been to generate local ownership of the development effort.

Source:

<http://www.ilo.org/dyn/empent/docs/F684122533/case%20study%20moz.pdf>

Further Information:

http://www.ilo.org/dyn/empent/empent.portal?p_prog=L

Resource Links

Step 2: Stakeholders and Participation in The Manual: Strategic Planning for Economic Development

United Nations Human Settlements Programme (UN-HABITAT):
Urban Governance Toolkit Series: Tools to Support Participatory Urban Decision Making
http://www.unhabitat.org/campaigns/governance/docs_pubs.asp#Toolkit

International Association for Public Participation:
<http://www.iap2.org/>

United Nations Human Settlements Programme (UN-HABITAT):
Sustainable Cities Programme
<http://www.unhabitat.org/scp>

Action 3. Demonstration Projects

Related Actions: Stakeholder Implementation Group; Simple Upgrading of Local Business Areas/Streetscape Enhancement; Marketing; Partnerships

Summary

Demonstration projects are small-scale, short-cycle projects that prepare the way for replication or expansion in the LED process. Pilot projects are very similar to demonstration projects in many regards; however, pilot projects focus on testing new and innovative ideas. Demonstration projects demonstrate how a specific problem can be addressed. These projects are a good idea when a local community is thinking about doing something new or innovative with great uncertainty about the actual benefits and outcomes. They are useful when social processes, behavioral changes and institutional reform might be required.

Demonstration projects are especially valuable where individual capacity might be low and could be increased through a small project, or when there is a need to captivate interest and keep momentum going in the LED project, typically at the beginning of a participatory process. (See *Step 8: Strategic Plan Implementation* in **The Manual**.) For example, if a clear and simple project presents itself early in the planning process, demonstration projects can be implemented while the more difficult planning work goes on. In this way, they keep those action-oriented participants engaged while the planning work continues. Demonstration projects are also useful when a project is limited in financial resources. Often, a demonstration project can be undertaken with minimal financial costs.

Making Demonstration Projects work

Good design

It is important to consider the goals and priorities of the project. Spatially, it should be in a small, well-defined area and the project cycle should be short. The beneficiaries should be well established and focused on tangible results. For example, if the project is to work towards poverty reduction, this objective needs to be clearly stated in the design, and the project should remain focused on this goal. Local ownership of the project is important, and can be achieved through strong local participation. Getting commitment from all stakeholders is very important, as is having a good internal organization for the project. *Tool 7a: Action Planning Frameworks* in **The ToolKit** provides a good framework for the development and structure of planning for a demonstration project.

Feasible financing

The method of financing demonstration projects often has implications for the feasibility of up-scaling and replicating the project. Seed funds (funding

specifically contributed or granted to start a new project), small grants or cost-sharing are common ways to finance demonstration projects. Partnerships with other organizations are also opportunities for funding.

Effective monitoring

Effective monitoring, including the use of clear and readily measured indicators, is a good idea and should be planned for at the very beginning of the project. Monitoring allows for lessons to be learned from the project, and for the benefits or problems to be analyzed. A clearly defined baseline is an important first step in the monitoring process, which can then be used to measure the outcomes of a project. (See *Tool 9a: Developing a Monitoring Framework* in the **ToolKit**, and *Step 9: Monitor and Evaluate* in the **Manual**).

Using Local Knowledge

Demonstration projects provide an excellent opportunity to tap into local experience and knowledge. This can be achieved through the creation of partnerships with local organizations, which can provide experience and resources. It is important that open communication lines are established to inform and encourage participation in the demonstration project. Including local experts or other participants in the design stage might also be useful in accessing and putting to use the skills and expertise existing within the local area.

Community Benefits

- ❑ Making early results and benefits of a LED project visible
A key benefit of demonstration projects is that they demonstrate to stakeholders what various actions can be accomplished. Not only is the capacity within the stakeholder groups showcased, but the early results spur on further projects, and bolster support for the LED planning process. This can be particularly useful when stakeholders are apprehensive to carry a LED initiative forward.
- ❑ Provides the opportunity to be innovative
The scale and scope of demonstration projects presents unique opportunities. The risk is low, as is the investment both in time and money, and this can encourage innovative and experimental projects.
- ❑ Low risk
The small scope and limited scale of demonstration projects reduce the financial and personal risk involved in planning a project. The short project cycle does not put as great a burden on project managers as a full-scale project. As indicated, low risk contributes to innovative

ideas and experiments in developing demonstration projects.

- ❑ Provide an opportunity for learning

Demonstration projects are an excellent way to showcase new approaches and solutions. Demonstration projects are usually local in their scale; therefore, the benefits, activities and results are highly visible to the community and stakeholders. This can help to encourage the development of other projects and to increase community and stakeholder participation, not only in the demonstration project, but also in the wider LED planning objectives.

Demonstration projects also provide an opportunity to pinpoint challenges in a project, which can then be anticipated if the project is replicated on a larger scale.

Obstacles and Challenges

- ❑ Poor monitoring

If no monitoring is done, or if it is done poorly, it will be difficult to determine the outcomes of a project and to successfully up-scale the project. Donors, sponsors and stakeholders might become skeptical of the benefits of a project, and the momentum could be lost for the greater local economic development objectives. *See Step 9: Monitor and Evaluate* in the **Manual**.
- ❑ Financing for up-scaling or replicating

While a demonstration project is small in scale and completed over a short period, replication of the project on a larger scale can pose challenges. As a project gets larger, so do the financial costs and human capital required to make it happen. This will require imaginative financing, such as cost-sharing agreements, partnerships or grants. Demonstration projects can help to overcome these challenges since they have shown the potential benefits and success of the proposed project.
- ❑ Poor design

Designing a demonstration project can be challenging, especially when incorporating monitoring and impact measurement. Poor design can mean that the project does not target the stated and intended areas. It might also mean that stakeholders do not feel a part of the project or that they did not have an opportunity to provide input. It can also mean that indicators have not been created or decided and that the baseline for monitoring had not been established.

Case Study 5: Sustainable Cities Programme in Ibadan, Nigeria

The borehole project in the city of Ibadan, Nigeria, is an example of a successful demonstration project that was quickly developed and implemented, led to the creation of a revenue stream and helped to build credibility and create enthusiasm for the ongoing, larger Sustainable Ibadan Project (SIP). SIP is a project under the global Sustainable Cities Programme (SCP), through the United Nations Human Settlements Programme (UN-HABITAT) and the United Nations Environment Programme (UNEP). The state government of Nigeria applied in 1992 to participate in the Sustainable Cities Programme and the project has continued to grow and evolve since then.

The city of Ibadan created the borehole project in Bodija market under the Sustainable Ibadan Project (SIP) Trust Fund (developed in 1996 and implemented in 1998). The local community formulated its plans (using primarily local expertise and knowledge), mobilized funds (local funds, UNICEF, and the SIP Trust Fund, SIPTF), and implemented the project by working with the SIP Working Group. The water from the borehole was sold, creating a revenue stream that allowed them to repay the loan (from SIPTF) and upgrade the system by buying a power generator for use during electricity cut-offs and by purchasing a metering system to ensure honest distribution. While demonstration projects were not written into the Project Documents or the budgets for the Sustainable Ibadan Project (SIP), the idea of a small-scale project, which could be quickly created and would produce tangible results, was very attractive and proved successful.

Source:

<http://www.unhabitat.org/cdrom/governance/html/yellop7.htm>

<http://www.unhabitat.org/programmes/SustainableCities/libadan.asp>

Case Study 6: Community Based Economic Development in Nagykata, Hungary

In the mid-90s, the city of Nagykata faced an unemployment rate of 25 per cent, greatly diminished support from the central government and a high level of citizen dissatisfaction with local authorities. Under these conditions, Nagykata decided to participate in a project with the Canadian Urban Institute (CUI) that would help them find better solutions for their future development. For the city of Nagykata, the purpose of the project was to democratize the town's management and to demonstrate a united community vision. Part of their plan was to attract and retain environmentally friendly investment through an aggressive promotional campaign (see Action 10: Marketing). The strategy was ultimately successful in attracting much-needed investment, including a US\$ 20 million investment by a Japanese electronics firm, which created over 900 jobs in the community.

Case Study 6 (Continued)

The success of the city of Nagykata was in part due to the creation and implementation of a demonstration project. At the very beginning of the project, the priority for implementing a demonstration project as a tangible output was stated. The city implemented a demonstration project in co-operation with the library, which promoted local investment opportunities and improved recreational and information facilities for the town's young people. (cont'd next page)

The increase in investment in Nagykata allowed the municipality greater resources from which to finance other aspects of their community vision. Investments were made towards improving the town's recreational and information facilities, which, in turn, helped boost tourism and develop further growth.

Source:

<http://www.bestpractices.org/cgibin/bp98.cgi?cmd=detail&id=5843&key=ElAty rkbfbah>

Further Information:

Canadian Urban Institute

Tel: 1-416-365-0817

Fax: 1-416-365-0647

Email: cui@interlog.com

Resource Links

Tools to Support Participatory Urban Decision Making:

UN-HABITAT

http://www.unhabitat.org/campaigns/governance/docs_pubs.asp

Global Campaign on Urban Governance :

UN-HABITAT

P.O. Box 30030, Nairobi, Kenya

Tel: (254-2) 623216, Fax: (254-2) 624264

E-mail: governance@unhabitat.org

Website: <http://www.unhabitat.org/governance>

Action 4. Research and analysis

Related Actions: Stakeholder Implementation Group; LED Publications; Knowledge Management; Marketing; Partnerships

Summary

Research and analysis refers to follow-up work required to answer questions that emerge before or during the LED process. This might include detailed research (e.g., specific cost estimates), project-level impact assessments, consultation (e.g. open houses, community surveys) and more precise analysis. It often involves filling data gaps that were identified during the LED process. For example, additional research on markets and opportunities, the supply chain (e.g. business surveys) or specific concepts (e.g., eco-industrial parks) might be necessary.

These are project actions in themselves, which should be undertaken before significant capital is used, when possible. A great deal of research can be done before the LED process progresses past *Step 3: Situation Analysis*, but research and analysis might be required at any time (see the **Manual**). The table below provides examples of research that might be appropriate at different stages in LED, as indicated in the **Manual**.

Making Research and Analysis work

Start early and continue throughout the process

It is helpful to complete major research and assessment tasks early in the LED process to the extent possible, but these tasks might be necessary at any time. In **The Manual**, *Step 3: Situation Analysis* provides a good opportunity to undertake research and analysis, but other opportunities will emerge throughout the LED process.

Identify what is required

Research and analysis is often required after data gaps have been discovered. Before identifying what tools are needed, it is important to identify what questions are already answered, and where more research is required.

Explore a wide variety of options

There are a wide variety of economic, social and environmental assessment tools available for LED. **The ToolKit** provides a variety of methods for using research and analysis in different stages of the LED process, and the table below identifies examples of analytical methods that might be used at different stages.

Consult the public as part of research and analysis

In addition to impact evaluations and other tools, stakeholders should consider how to consult and engage the public in research and analysis. One appropriate point to do this is *Step 2: Stakeholders and Participation* in the **Manual**, when stakeholders should be identified. *Part 2: Facilitation Tools* of the **ToolKit**, also provides some ideas for facilitating a participatory LED process.

Take a multidisciplinary approach

Any comprehensive LED assessment will likely require specialists and generalists from many different disciplines (e.g., economics, planning, engineering and others), in addition to the general public. Although organizing multi-disciplinary assessment teams can be difficult, it is worthwhile when necessary.

Creating a Stakeholder Implementation Group is one way to develop a multi-disciplinary team for undertaking LED research (*see Action 2*). Also, *Tool 2A* in the **ToolKit** provides suggestions for identifying stakeholders, whether or not a stakeholder group is used.

Community Benefits

- ❑ More effective project implementation, and higher chances of success
Research and analysis is conducive to a better planning process with a higher chance of success, when used appropriately at different stages in the LED process.
- ❑ Develops partnerships
Where stakeholders from different communities or organizations work together to solve problems and answer questions, research and analysis can help develop partnerships (*see Action 22: Partnerships*).
- ❑ Long-term cost savings
Projects that fill information gaps and account for potential problems are likely to be more cost-effective. For example, the need for ongoing maintenance in infrastructure development projects might be significantly limited by identifying, and possibly avoiding, such costs in the first place.
- ❑ Develops community knowledge and encourages involvement
Research and analysis can help build public support for a project by informing the public about the costs and benefits of LED. Depending on the project, research and analysis might also identify a role for the public in mitigating some of the potentially negative aspects of LED initiatives. As a result, research and analysis can give the community a greater sense of ownership of the LED process.

Obstacles and Challenges

- ❑ **Unfocused research and analysis**

When poorly done, research and analysis can delay the LED process, cause unnecessary expense and frustrate stakeholders. It is important, therefore, to use correct research methods at appropriate stages throughout the process. Stakeholders should reassure themselves that they have made the right choice, by first identifying what should be answered.
- ❑ **Making advice from elsewhere fit**

When considering what questions need to be asked, it is worthwhile to examine similar LED projects in other jurisdictions, either in nearby localities or in other countries. These comparisons, however, should take into account a different cultural, political and economic context.
- ❑ **Conflicting results of research**

Stakeholders may encounter difficulties when the conclusions of different research conflict with each other. This is quite common in development projects, where the economic benefits might be great but negative environmental consequences might be inevitable.
- ❑ **Redundancy**

Although research and analysis should be conducted when necessary, there is always a risk of undertaking unnecessary research, where questions have already been answered or where the issues examined did not require research in the first place.
- ❑ **Costs and data limitations**

Assessments can be costly, and necessary data can be difficult or sometimes impossible to find. In some cases, government or the private sector might be able to sponsor the project and provide some of the research funds. Depending on the project, however, costs and data limitations might impede the research effort.
- ❑ **Determining when enough research has been conducted**

At some point, it will be necessary for stakeholders to determine when they have satisfied their requirements and to move onto the next stage of the LED process or complete the LED project. This can be challenging because it might be difficult to reach conclusive results on certain issues. Legal regulations, public feedback, financial constraints and the specific interests of the project participants can help guide these decisions. In **The Manual**, the stated objectives of each stage in the LED process should help stakeholders decide when they can continue.

Examples of Research and Analysis in LED

Step in the LED Process	Typical Types of Research and Analysis
Step 1: Getting Started (see <i>Step 1, ToolKit</i>)	<ul style="list-style-type: none"> ■ Process analysis <ul style="list-style-type: none"> • process funding analysis • process scope analysis • process roles and responsibility analysis • trigger event analysis
Step 2: Stakeholders and Participation (see <i>Step 2, ToolKit</i>)	<ul style="list-style-type: none"> ■ Stakeholder analysis ■ Public consultation
Step 3: Situation Assessment (see <i>Step 3, ToolKit</i>)	<ul style="list-style-type: none"> ■ Background and baseline analysis <ul style="list-style-type: none"> • demographic analysis • economic base analysis • gender analysis • leakage, market and supply chain analysis • complementary and competitive analysis • business and community attitude surveys • local area assessment • SWOT analysis • Livelihood assessment
Step 5: Objectives and Measures (see <i>Step 5, ToolKit</i>)	<ul style="list-style-type: none"> ■ Research related to key issues and objectives (e.g., business permitting systems in other jurisdictions) ■ Analysis related to specific performance measures <ul style="list-style-type: none"> • cost-benefit analysis • environmental/social impact analysis • risk analysis ■ Objectives prioritization analysis
Step 6: Alternatives (see <i>Step 6, ToolKit</i>)	<ul style="list-style-type: none"> ■ Alternative development ■ Alternative evaluation
Step 7: Action Planning (see <i>Step 7, ToolKit</i>)	<ul style="list-style-type: none"> ■ Project specific feasibility analysis <ul style="list-style-type: none"> • economic feasibility • financial feasibility • institutional capacity ■ Business plans
Step 8: Organizations and Implementation	<ul style="list-style-type: none"> ■ Organizational development analysis
Step 9: Monitor and Evaluate (see <i>Step 1, ToolKit</i>)	<ul style="list-style-type: none"> ■ R&A related to specific performance measures
Step 10: Adjust and Modify	

Case Study 7: Specific Research – Value Added Coconut Cluster By-products, Sulawesi, Indonesia

In 2001, several economic development and poverty alleviation programs in Indonesia merged to create the Partnership for Local Economic Development (KPEL), a program developed by the Government of Indonesia, UNDP and UN-HABITAT. One of KPEL's focuses has been to identify clusters of economic activity and to provide support to improve the performance of the cluster. In the North Sulawesi region, coconut farmers were confronted with extreme fluctuations in the price of dried coconut. As a result, Sulawesi became involved in KPEL.

Given that diversified clusters perform better than single produce or service clusters, KPEL commissioned research into the opportunities for derivative coconut products and brought in an expert from Sri Lanka, a world leader in coconut production. The research identified derivative opportunities such as nata-de-coco (a local sweet), charcoal, coconut oil and husk fiber. Training sessions were then held where 65 women learned to produce the different coconut-based products. Households attending training sessions have improved average incomes by 78per cent. As well, all the derivative products are sold locally. In addition, a second diversification strategy was pursued to plant corn, an alternate crop that grows in similar conditions to coconut.

For Further Information:

Wiranto, Tatag. Partnership for Local Economic Development (KPEL): Experiences and Lessons for Poverty Alleviation. Paper presented at the Urban-rural Linkages Workshop UN-HABITAT and ESCAP. Cambodia September 2002

Source:

<http://www.kpel.or.id>

Case Study 8: SWOT Analysis in Grimsby, England, UK

Grimsby is a relatively small town on the east coast of England, which has traditionally had higher unemployment rates than the rest of the country. In the 1960s and 1970s, the fishing industry began to decline; both the fish port and the commercial port lacked investment under state ownership. These factors, and the oil and economic crises of the 1970s and early 1980s, caused Grimsby to suffer a strong economic downturn. In 1986, Grimby undertook a SWOT analysis, to identify opportunities for LED, with the following results:

STRENGTHS

- A well-developed new road and railroad network
- Labor force used to working long shifts (over 18 hours)
- Large labor pool (due to unemployment)
- Lower wages than UK average
- Largest amount of cold storage in Europe
- Staff used to handling food products

Case Study 8 (Continued)

- Low crime rate
- Easy availability to inexpensive industrial land
- Land allocated for petro-chemicals
- Large agricultural hinterland
- Access to grants from the EU for LED investment
- Access to grants from the UK government, because UK Government also listed Grimsby as an “intermediate” area
- A good local government, wanting to be involved with LED

WEAKNESSES

- Low level of added value
- No local airport
- Low level of educational attainment
- Lack of dynamic SMEs
- Community lacking in confidence
- Large tracts of unused industrial land
- Local government had only limited legal authority to undertake LED
- Unattractive in terms of traditional tourism
- Lack of experience in local government in strategic planning
- Lack of experience in collaborative projects
- Employment concentrated in a few large businesses
- Geographically isolated from the rest of the UK
- Inadequate higher and vocational training
- Ports in public ownership
- Low-cost housing

OPPORTUNITIES

- Located on the east coast for trade with continental Europe
- EU membership
- Increasing demand for pre-prepared and chilled foods
- A deregulated port and deep water facilities
- North sea oil and gas
- The changing demands of tourism
- Further development of petro-chemical sector on the banks of the Humber
- Tourism exploiting Grimsby’s fishing heritage

THREATS

- Nearby communities better located for most business activities
- Nearby communities and those communities further away
- EU expansion likely to bring threats to community
- Thatcher Government did not support local government or EU involvement in LED.

Case Study 8 (Continued)

Based on this analysis, Grimsby was able to develop a long-range plan for LED, to diversify the fishing-based economy. The plan contained several directives, one of which was to develop the food processing industry. In response to the directives, the LED program included training for potential workers in food processing plants, marketing programs were undertaken for the food processing industry and three food processing facilities were built. Based on these and a variety of other actions (informed by the SWOT analysis), Grimsby has been developing its food processing industry for more than 15 years. In 1999, The Europarc Business Park, a successful park for food processing and packaging facilities, opened in Grimsby. In 2001, it was reported that several new food processing companies had moved into the park.

Source:

The World Bank Group

<http://www.worldbank.org/urban/led/seed/module6.pdf> Taken from Southeast Europe Enterprise Development www2.ifc.org/seed/

Resource Links

Research and Analysis Community and Economic Development Toolbox

http://www.cardi.cornell.edu/cd_toolbox_2/cdindex.cfm

The World Bank Group- Local Economic Development

http://www.worldbank.org/urban/led/step_two.html

Action 5. Study Tours

Related Actions: Demonstration Projects; Research and Analysis; Partnerships; Institutional Co-operation Mechanisms

Summary

A study tour is a visit by LED stakeholders to see first hand what is being done to stimulate development in another local area. Study tours can take many forms – they might include visitors and/or hosts from only one local area, or visitors and/or hosts from many different localities (see *Case Study 8* and *Case Study 9* for examples).

Study tours are important because seeing what is possible in other communities helps LED stakeholders link concepts and ideas with reality. Having leaders in a LED strategy visit other locations where LED actions have taken place can be a positive catalyst for mobilizing activity. It can be particularly useful for illustrating the potential of LED strategies that stakeholders are considering, but might be hesitant to put into action. When timed and implemented correctly, study tours might help a LED process maintain momentum, particularly if the participants have been engaged in lengthy research and decision-making activities. In most cases, study tours will allow visitors to see what has, or, in some cases, has not worked in other places, and should help clarify some of the important reasons why.

Making Study Tours Work

Decide when to start a study tour in the LED process

Study tours can be held at any point during the LED process, but there are ways to ensure they are timed appropriately. When a study tour is designed to inform specific LED initiatives in the home jurisdictions of the visitors, it is often worthwhile to hold it near the beginning of the LED process, or when the visitors are considering alternatives for development (see *Step 6: Identifying and Evaluating Alternatives* in the **Manual**).

If a study tour is conducted near the beginning of the LED process, it might be best to hold it after the stakeholders have been identified and included, or after a situation analysis has been conducted in the local economic area (see *Step 2: Stakeholders and Participation*, and *Step 3: Situation Analysis* in the **Manual**).

In some cases, it is less beneficial to hold a study tour when significant actions have already been undertaken; holding study tours in advance of Action Planning (*Step 7: Action Planning and Strategy Document* in the **Manual**) is advisable in these situations.

Secure sources of funding

It is important to establish funding sources early when starting to organize a study tour. In some cases, local, regional or national governments might fund study tours, and international organizations (e.g., UNDP, The World Bank Group, and The International Labour Organization) are also frequent sponsors. Outside funding, however, is not always necessary, and study tours can be relatively inexpensive.

Define clear, feasible learning objectives

All of the stakeholders involved in a study tour should be able to clearly articulate why they are holding a tour. Clear learning objectives should be established with the agreement of all participants. It is also important for all the stakeholders to accept all aspects of the study tour, and to be given a clear itinerary of the tour activities far in advance of the tour itself. It would be helpful to draft a memorandum of understanding (MOU), an agreement to define mutually agreed-upon expectations of both the visiting and host participants.

Make time to evaluate and reflect on the findings

Study tours are extremely informative; it is worthwhile for both visitors and hosts to make time to evaluate and reflect on what they have learned, in relation to the original learning objectives. While doing so, visiting participants, in particular, should contextualize what has been learned, by considering everything within the cultural, economic and social milieu they have recently experienced. If a study tour is conducted after a project has been implemented, the tour might help inform the monitoring and evaluation process because stakeholders will be able to compare the success of their project with one somewhere else (see *Step 9: Monitor and Evaluate* in the **Manual**).

Community Benefits

- ❑ Development of partnerships
Study tours provide good opportunities to build partnerships between hosts and visitors, which can facilitate further exchange between them (see *Action 22: Partnerships*). They are also helpful for establishing mutual trust, which makes it easier to identify additional opportunities for collaboration after a tour has been completed. As such, study tours encourage team building.
- ❑ Sharing “best practices” and LED strategies
A key benefit of a study tour is that “best practices” and LED strategies can be shared. Although the process will often show what was successful in the hosting locality,

touring might also help visitors understand the shortcomings, challenges and lessons to be learned from LED in the area they are observing.

- ❑ Greater political buy-in

A LED process can be strengthened when stakeholders can see what works in other areas. If they have tangible evidence that what they are considering is achievable, LED initiatives might receive greater political support. This can help develop momentum for LED strategies at home; therefore, study tours serve many of the same purposes as *Action 3: Demonstration Projects*.

Obstacles and Challenges

- ❑ Learning from a different cultural context

A great number of LED study tours are organized between countries, regions or communities that have some similarities, but also significant economic, political and cultural differences. As mentioned, it is useful to determine what can be feasibly learned in a different cultural context.

- ❑ Creating a win-win situation

For study tours to work properly and establish long-lasting relationships, it is helpful for both sides to benefit. Therefore, visitors should be able to describe LED strategies at home or plans they are considering implementing. In most cases, a study tour is arranged for the benefit of visitors, but this does not have to be the case.

Case Study 9: LED Study Tours in Hungary

From September 29 to October 7, 2001, Progress Consulted, a public-sector consulting firm in Hungary, hosted 10 municipal officials from various municipalities in Bulgaria for a training program in LED in Hungary. The objectives of the tour were to familiarize the visitors with methods that have been particularly effective in LED in Hungarian cities, such as industrial parks, marketing and business incubators. After a welcoming reception in Budapest, the tours were conducted over five days. On the first day, the group visited Nyiregyháza. In the morning, the participants were asked to articulate their specific learning objectives for the tour; after this, they visited an industrial park and a business incubator. The second day of training was in Ozd and focused on employment and economic restructuring in LED. The group visited the North-Hungarian Regional Retraining Center, a job center designed to help the unemployed update their skills and find new jobs. Next, they visited a local business incubator.

Case Study 9 (Continued)

The third day was in Győr in northwest Hungary. In the morning, the Hungarian hosts gave a presentation, discussing economic planning and strategic planning for regional economic development in West Pannon, a region in northwest Hungary. The group discussed how to effectively use EU funding for local economic development. In the afternoon, the group visited a technology center and an industrial park. The fourth day of the study tour was held in the town of Szombathely in western Hungary. In the morning, the guests attended a presentation about the work of the Research Centre of European Studies, and discussed how the center's research might be used for developing regional economic growth initiatives. Afterwards, a second presentation was given on marketing and attracting foreign investment into local economies. In particular, the group identified the criteria typically used when investors are making decisions. Following the presentations, the group visited another industrial park.

On the final day, the group went to the town of Sopron in northwest Hungary. Speakers summarized what had been discussed throughout the week. They also discussed how partnerships in LED might be further developed between Hungary and Bulgaria. Before returning home, the group spent the weekend sightseeing. The Bulgarian guests were happy; they believed that stronger LED ties could be developed between Hungary and Bulgaria in the future, and that they would be able to apply what they had learned in their own respective cities.

Further Information:

The Hungarian-American Partnership Initiative, <http://www.hapi.hu/index-eng.html>

Case Study 10: Local Economic Development Agencies in Bulgaria, Italy, Germany and Portugal

Since the end of the civil war in Yugoslavia in 1995, Croatia has made considerable strides as one of Europe's transitional economies, and development has been diverse and multifaceted. With the support of UNDP and UNOPS, Local Economic Development Agencies (LEDAs) were established in Western Slavonia (2000) and Sibernik County (2001), to help co-ordinate LED in these regions and to generate greater public support for LED. LEDAs were identified as a way to administer LED within regions as a whole, to establish linkages across different levels of policy-making and to identify existing local institutions and programs through which LED could be implemented. However, when they were established, most stakeholders did not know how these LEDAs should be used.

In 2001, to show local stakeholders in Sibernik County and in Western Slavonia how LEDAs operate, a study tour was organized by the ILO for stakeholders from these regions, to visit LED organizations in other countries. The tours were planned for Bulgaria, Italy, Germany and Portugal.

Case Study 10 (Continued)

In Bulgaria, the tour visited several economic agencies, including an agency for regional development in Devin, a LEDA in Razalog, and a center for SME development in Rousse. They discussed how to promote self-employment and also examined how to integrate minority groups in the LED process, and the challenges presented in doing so. In Italy, the group visited SOPRIP, a development agency working to encourage business innovation in Parma. They also visited social service and welfare offices, and toured a wood and furniture design cluster in Emilia Romagna. The group discussed welfare and social service provision, in addition to cluster formation. The role of LEDAs in economic development was clearly articulated throughout.

In Germany, the group visited Rhein Efrt, an economic promotion agency in Frechen, and a technology center in Aachen. The stakeholders discussed the decline of the chemical and energy industries in the State of Nord-Rhein Westphalen and examined how collaborative networks between the LEDAs, universities, local administration and high-tech industries has help create new opportunities for the region, particularly in the service sector. Lastly, the group visited two Portuguese regional development agencies. The first was ADR, an agency in Amarante, and the second was ADRAL, an agency in Evora. With the assistance of the EU, the Portuguese economy has been decentralizing, and the hosts discussed some of the challenges of these changes. This trip was the most relevant for the Croatian visitors, because Croatia has also undertaken decentralization for several years. Upon completion, the visitors felt that the tours had answered many of their questions about LEDAs. They also felt that what they had learned would allow them to use LEDAs more effectively in their own communities. The two LEDAs still operate in Western Slavonia (www.hinet.hr/leda/) and Sibernik County, and receive financial support from the ILO.

Source:

Salzano, Carmela.

Applying the Comprehensive LED Approach: The Case of Croatia.

Geneva: International Labour Organization, 2002.

Further Information:

ILO LED Programme Cooperative Branch 4,

route des Morillons CH-1211 Geneve 22 Email: led@ilo.org Webpage:

www.ilo.org/led

Resource Links

Study Tours

The International Labor Organization

www.ilo.org/led

The Hungarian-American Partnership Initiative

<http://www.hapi.hu/index-eng.html>

Action 6. Local procurement and “buy local” campaigns

Related Actions: Policy and Regulation; Skills Training Center; Physical Infrastructure Investment; Creating LED Organizations; Local Currency or Community Currency Systems

Summary

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 and encourage them to buy local products. Various actions, such as developing a local business directory (See *Action 8: LED Publications*), are very helpful in implementing this action.

Local procurement is particularly important to municipalities because they are often major employers that contribute significantly to local economies. Municipalities can, therefore, act as leaders for the rest of the community, by buying and hiring locally. Municipalities, operating as they do on local taxes, should consider it important to reinvest that money in the local economy. Adjusting the size of local contracts so that smaller firms can compete, and awarding municipal contracts to local businesses will increase local job creation; it will also help improve the skills and experience of local businesses. Local companies will also become more competitive and able to generate business from the private sector, reinforcing the economic dynamism of the area.

Similarly, any business or community organization dedicated to improving the local area should be committed to spending and hiring locally. It is often more difficult to convince individuals to support local businesses as they might be more concerned with price, convenience, or the prestige of buying imported products, or they might simply think their spending is so insignificant that it does not matter. However, retaining money in an economy can make a huge difference. The economic success of Japan and the Asian tiger economies had as much to do with their populations buying their own products as with their success in exporting.

Step 3, Task 3: Situation Analysis of The Manual provides some information on how to do an economic leakage, markets and supply chain analysis that would be a helpful reference in beginning this action.

Making Local Procurement and “buy local” campaigns work

Develop a transparent tendering process

Municipal contracts should be openly advertised and submitted to a fair tendering process with clear selection criteria to permit the hiring of the best local company for the job. A transparent process will help smaller, local com-

panies compete against larger national or multinational companies that might have more resources to make attractive bids. It should be noted that simply because a company is small or local does not mean that it will necessarily do a poorer job than a larger company. Larger companies are, however, better equipped to put together impressive marketing materials when bidding for contracts.

Maintain expectations

Local companies should be held to high standards for fulfilling a contract and should never feel that they can submit substandard work or will receive preferential treatment simply because they are locally based. If they are held to high standards, the quality of their business will also improve.

Upgrade skills

If local companies do not have the skills necessary to compete, local procurement policies need to be combined with other LED strategies like skills training or incubation programs, with the understanding that companies that complete these courses will perform better in future tender processes. *See Action 12: Skills Training Center.*

Promote local products

Sometimes, there are mental barriers to buying locally or hiring local companies. People either believe that local products are inferior or they do not realize the impact that their purchases can make on their community. A marketing campaign that promotes local businesses might prove effective in convincing residents that their spending does matter, and that supporting local businesses means more jobs and prosperity for everyone in the end. The municipality, Chamber of Commerce or local Business Improvement Associations might be interested in producing such a campaign.

Community Benefits

- ❑ Generates local jobs and promotes local investment
By building demand for local products and services, local procurement can help generate new jobs, which can bring more money into the local economy. New or expanded companies will also provide opportunities for local investment.
- ❑ Keeps money in the community
Local procurement helps keep money in the community.
- ❑ Builds local capacity
Local procurement can improve community business skills, services and products.

Obstacles and Challenges

- ❑ Local companies might not have the skills to fulfill a contract
It is possible that local companies may not have the skills to compete for municipal contracts.
- ❑ Local products might not be available
There might be no local products or substitutions available, particularly for more specialized products.
- ❑ Accusations of unfair competition
Companies from other places (either national or international) might complain that selection criteria favor local companies over outsiders and are unfair. Municipalities should make themselves aware of any national or regional trade agreements that might expose them to sanctions for favoring local companies. See *Action 4: Research and Analysis*.

Larger, non-local companies might produce more competitive bids than local ones. Municipalities, other organizations and individuals might want to consider using local companies even if they do not provide the most competitive bid or the cheapest goods, within reason. The long-term benefits of developing the local economy might outweigh immediate cost-saving measures of going with the cheapest option. Municipalities, however, must make sure that their motives are clear, as they might be accused of fiscal irresponsibility.

Case Study 11: Sarajevo Housing Project in Sarajevo, Bosnia and Herzegovina

During the civil war in the former Yugoslavia, 80 per cent of the housing stock in the old town of Sarajevo was damaged. Many residents were living in one room or the cellars of their damaged houses. The Municipality planned to rebuild housing stock, so that refugees could return home and displaced persons occupying other people's homes would be able to move into other accommodation. Norwegian People's Aid set up the housing project, in partnership with the Municipality of Sarajevo, non-governmental organizations, and residents of the seven districts that the Municipality had identified as most in need of attention. Public consultations occurred throughout the entire process and included weekly meetings with representatives from the municipality, residents and contractors.

Residents were expected to provide much of the labor, but in situations where residents were unable to do so (because of age, infirmity or where the damage was too extensive), local private enterprises were hired. Self-help groups learned from skilled workers, improving their own skills as well as reconnecting with neighbors. Building materials were purchased through

Case Study 11 (Continued)

local companies with criteria being cost, quality and local products. The use of local products also helped preserve the architectural heritage of the old town. Demolition rubble was also re-used, allowing more resources to be committed to the project.

In the end, 603 houses were built, 103 more than was originally planned. The purchase of local materials and use of local contractors helped generate jobs and stimulated the production of building materials. All the companies hired as contractors are still in business and some have expanded their operations. Many residents were also able to establish small businesses in their rebuilt houses and take out loans on their improved properties.

Local economic development does not need to be kept in isolation from other municipal or community goals. By emphasizing the need to keep in mind local products and to support local businesses while engaging in the provision of shelter, this project also led to economic development. LED can, and should, be integrated into all the objectives of a community.

Further Information:

Program Coordinator Norwegian People's Aid Storgt.33a

P.O.BOX 8844 Youngstorget

N-0028 OSLO. Tel: +47 22 03 76 46 Fax: +47 22 20 08 70

Resource Links

Encouraging Local Business Growth

http://www.worldbank.org/urban/led/local_business.html

Action 7. Simple upgrading of local business areas / streetscape enhancement

Related Actions: Demonstration Projects; Physical Infrastructure Investment; Partnerships; also see Town Center Business Area Enhancement for larger scale upgrading

Summary

Simple upgrades and streetscape improvements are small-scale actions that involve changing the physical exterior of a local business area. Benefits of simple upgrades and streetscape enhancement include generating local employment, retaining existing customers and attracting new customers. In addition, simple upgrading actions are well positioned to link with demonstration projects (see *Action 3: Demonstration Projects*) as they are small scale in nature and highly visible. Simple upgrading can also be implemented as part of town center enhancement (see *Action 18: Town Center/Business Area Enhancement*).

Over time, local business areas can become stagnant or physically degraded. As a result, customers might begin to perceive the area as less attractive and dynamic and might choose to stop shopping and using the services located there. Also, new and existing businesses might be deterred from locating in the area. Street appearances are important to local economic development because they connect businesses and provide places for human and commercial interaction. The purpose of simple upgrades and streetscape improvements, therefore, is to create a positive image of a local business area that will motivate new customers to visit and retain existing customers, thereby increasing business sales and service provision.

Simple upgrades and streetscape improvements are used to transform the physical image of business areas. Enhancement projects can be implemented incrementally based on available resources. For example, a small change, such as improved lighting, can make people in a business area feel safer and more comfortable. Improvements should be planned strategically so that each action builds upon the next with visible results after each upgrade.

Making Simple Upgrading of Local Business Areas work

Determine which upgrades are most appropriate for the area

Upgrading must be carried out in the context of the community living, and businesses operating, in that area. Consulting local residents and business owners will help identify the upgrades considered most important (see *Case Study 12* below). Potential improvements might include:

- Lighting
- Trees and landscaping

- Building façade improvements
- Banners
- New signage
- Painting
- Garbage receptacles
- Murals and public art
- Benches and tables
- Bus and rain shelters
- Pedestrian and cyclist paths
- Calming car traffic to make streets safer for pedestrians
- Bicycle racks
- Litter and graffiti clean-up.

Determine what upgrades are in the budget

It is important to decide how much money can be allotted for the local business area upgrades. See *Step 7: Action Planning and Strategy Documentation* in the **Manual**. Initial costs and ongoing maintenance costs need to be considered. For example, building exteriors might need to be painted every few years. By clearly marking the area that will be enhanced, it will be easier to estimate the initial and long-term costs of each option. If there are limited resources, improvements such as street trees are low cost and can improve the aesthetic quality of an area. As well, forming a partnership with municipal, regional and/or national governments might help to secure funding.

Plan for ongoing maintenance

Cleanliness and tidiness contribute to the visual character of an area and maintaining physical enhancements can be difficult without proper planning. When choosing upgrades, stakeholders should determine the maintenance requirements of each option (see *Tool 7a: Action Planning Frameworks* in **The Toolkit**) and their long-term costs. It is also useful to strategically plan how the upgrades will be physically implemented to allow for easy maintenance. For example, choose garbage receptacles that can be emptied without difficulty.

Choose upgrades that will foster a comfortable physical environment

Simple upgrades and streetscape enhancements are intended to create a comfortable physical environment for customers, which, in turn, contribute towards increased economic activity in an area. To create a comfortable streetscape, factors such as personal safety, protection from the weather and protection from vehicle traffic should be considered in the selection of upgrades. For instance, improvements such as bus shelters can be used to protect pedestrians from the sun and rain. Enhancements should also be designed to accommodate a range of users, including pedestrians and cyclists. Bicycle racks and widening sidewalks encourage pedestrian and cyclist use. A streetscape that is accessible by pedestrians, cyclists and

motorists will cater to a broader range of customers and provide more economic opportunities.

Choose upgrades that make the business area distinctive

Simple upgrades can help make a local business area a distinctive place within the context of the wider community. Banners and signage are often used to set an area apart. Murals on buildings also present opportunities to display public art and involve local artists (see *Case Study 13* below). By creating a sense of place, a local business area might become more attractive for local customers and tourists.

Community Benefits

- ❑ Generates local employment
Simple upgrades generate employment in several ways. The actual implementation and maintenance of upgrades create new jobs. Reviving a local business area can also result in new businesses opening and existing businesses expanding, which lead to more employment opportunities for residents.
- ❑ Attracts old and new customers
A local business area becomes a more comfortable and welcoming place after it has been upgraded. Negative images once associated with the area are often transformed into more attractive ones. As a result, former customers and new customers will be drawn to the business area, stimulating economic activity.
- ❑ Contributes to the character of the community
Simple upgrades and improvements can influence and help to define the visual character of a community. In some cases, the historical past of an area might be emphasized by the use of specific paint colors or street lighting. An increased sense of place in a local business area is often accompanied with greater civic pride.
- ❑ Retains local businesses and customers
Local business area upgrades help to maintain businesses within the community and can prevent customer leakage out of the area; therefore, more resources are retained in the community.

Obstacles and Challenges

- ❑ Improvements are not maintained
Over a prolonged period of time, funding and commitments to maintain the upgrades can be difficult to sustain.

- ❑ Lack of funding
 - The initial costs of simple upgrading challenge the implementation of local business area improvements. Outside funding to assist communities might not be available or sufficient to support enhancement projects.
- ❑ Poor integration of upgrades and improvements
 - Improvement efforts can be inefficient if strategies to upgrade a local business area have not been well coordinated. The area might be perceived as unattractive and uncomfortable due to poor workmanship or the use of too many different materials.

Case Study 12: Chinatown Revitalization, Vancouver, Canada

Chinatown in downtown Vancouver has traditionally been a vibrant commercial and retail area. In recent years, however, increasing crime rates, deteriorating buildings and regional competition have threatened the economic stability of the area. In response to these problems, a Chinatown Revitalization project was created through a partnership between the City of Vancouver, National Crime Prevention Strategy Staff and the Chinatown Revitalization Committee. Efforts of the partnership have resulted in the articulation of a long-term vision for Chinatown and strategies to realize community goals.

A major objective of the Chinatown Revitalization project has been the improvement of the streetscape. A walkway between the Vancouver Public Library and Chinatown was named the “Silk Road.” Banners and signage were erected along this walk and story-telling panels, illustrating the area’s history, will be installed in the future. In addition, a Chinatown Millennium gate was built to demark the entrance of the business area. Additional streetscape improvements include the placement of 90 new decorative lamp posts, public art, new paving stones and community mosaics. The City of Vancouver has also initiated a heritage incentive program to encourage the maintenance of historic buildings in Chinatown.

The streetscape enhancements in Chinatown resulted from an effective collaboration between business owners, residents and municipal government. An integral aspect of the Chinatown Revitalization has been the consultation of more than 25 community groups in the selection of streetscape improvement details. As a result, the streetscape enhancements in Chinatown reflect the ideas and preferences of the people living and working there. The upgrades to Chinatown have helped to retain businesses in the area and secure Chinatown as a popular tourist destination within Vancouver.

Further Information: City of Vancouver

<http://www.city.vancouver.bc.ca/commsvcslplanning/dtes/strategies.htm>

Case Study 13: Chemainus Downtown Revitalization, British Columbia, Canada

Chemainus is a small town on the east shore of Vancouver Island, British Columbia, with a population of approximately 4,000 people. Like many small towns on Vancouver Island, Chemainus relied upon the forestry industry to provide the backbone of its economy. A primary source of employment in Chemainus was a sawmill. In the 1980s, however, the forestry industry began to slow down, resulting in the closure of the mill and the loss of more than 700 jobs. To respond to this change, the city council initiated a downtown revitalization project to give a fresh new look to the main street in Chemainus.

A businessman and local resident came up with the idea of painting the rich history of Chemainus on the walls of downtown businesses. An organization called the Festival of Murals was formed in 1983 to oversee the murals project and is largely comprised of volunteers. Since the inception of the project, more than 35 murals have been painted, which have formed an outdoor art gallery.

The mural project in Chemainus has not only beautified the downtown core, but has become a significant tourist attraction for the region. Spin-off effects from the project includes the expansion of accommodations

and restaurants that cater towards visitors. In 1983, Chemainus won the prestigious New York Downtown Revitalization Award for redevelopment of the town core. It has since gained worldwide acclaim for the integrity and superb artistry of its huge depictions of the town's history, earning the British Airways Tourism for Tomorrow Award (the Americas) in 1994.

Further Information:

Chemainus.com

<http://www.chemainus.com/>

The Festival of Murals Society:

<http://www.muraltown.com/>

Case Study 14: Streetscape Improvements, City of Manila, Philippines

The Rizal Avenue pedestrian shopping mall project was initiated by the City of Manila in an attempt to improve a decaying shopping area in the city. At one time, the commercial area located between Rizal Avenue, Recto Avenue and Carriedo Street was a popular shopping destination. However, heavy car traffic and a light rail transit system (LRT) have caused considerable air and noise pollution in the area, making it uncomfortable for pedestrians to shop there. In an attempt to spur economic development in the area, the City of Manila decided streetscape improvements were necessary to create an environment for businesses to thrive.

The major focus of the project was to transform Rizal Avenue into a pedestrian shopping strip that could be accessed by the 600,000 LRT commuters who pass through the area every day. Car traffic has been redirected to alternative routes in the city to improve pollution and pedestrian safety. The center island that once divided the street has been removed and replaced with attractive stone blocks to encourage pedestrian use. Other streetscape improvements include trees and shrubs, planted on both sides of the street, and building facade improvements. Many existing buildings have repainted their exteriors. Additional improvements are planned for Rizal Avenue such as decorated tiles and lights, which will be installed on the supporting posts of the LRT system. A shopping center is expected to be constructed in the center portion of Rizal Avenue.

This project has reduced the pollution and noise once prevalent along Rizal Avenue. Monitoring of vehicle traffic by the City of Manila has also indicated that there have been no traffic jams along the routes where vehicular traffic was redirected. Given the large number of LRT commuters per day, if the Rizal Avenue pedestrian shopping mall can capture ten per cent of the commuters business daily, the project will be a success.

Source:

City of Manila

<http://www.cityofmanila.com.ph/newsarchivesjuly.htm#avenida>

Resource Links

City of Vancouver
<http://www.city.vancouver.bc.ca/commsvcs/planning/dtes/strategies.htm>

Chattanooga Urban Area Sidewalk-Streetscape Policy
 Guide http://www.chcrpa.org/Pages/Transportation/Meetings/sidewalk_guide_draft8_13.pdf

The Festival of Murals Society
<http://www.muraltown.com/>

Action 8. LED Publications

Related Actions: Research and Analysis; Knowledge Management; Marketing

Summary

LED publications are communication tools used to convey information about a local area. They are often used to attract new businesses and support the expansion of existing businesses. the **Manual, Step 3: Situation Assessment** indicates that research and analysis of the local business environment should be completed in the LED process. Besides providing a basic understanding of the economic environment and businesses that exist in the defined area, this information can be used to generate publications. There are a range of LED publications such as simple leaflets used for developing networks and community information packets provided to new businesses considering locating in the area. Often, LED publications are used to support marketing activities (see *Action 10: Marketing*).

These publications are included as “Initial Actions” because they can be done quickly and easily with limited staff time. They are also useful ways to involve existing businesses in the LED process. However, they can also be expensive and time consuming if glossy brochures, magazines and other types of publications are developed. Three types of useful LED publications are discussed below.

Making LED Publications work

Develop a business directory

The business directory is a listing of businesses in the LED area, and information related to those businesses. Ideally, it is compiled on a computerized database, so that it might be sorted by any criteria contained in the database. It is usually used for “business-to-business” contact information, so it is useful if LED objectives include keeping money in the local economy longer and supporting local businesses. However, it has many uses, including checking for the presence of competing businesses, supplier/purchaser contacts, employment searches and potential partnership/co-operation arrangements. Information commonly found in business directories includes the following:

- Names of businesses, arranged alphabetically
- Names of businesses listed by type (in North America, Standard Industrial Classification codes are commonly used)
- Address, phone, fax, e-mail, Web site addresses
- Key contacts
- Main products or services
- Number of employees
- Years in business

- ❑ Notes regarding export activity, investment opportunities, or other needs
- ❑ All employers (for example, governments, educational institutions, etc.)
- ❑ A list of the largest employers.

Create a city or community brochure, economic profile or investment guide

The community or economic profile is the “facts and figures” publication that more concretely describes the LED area and might provide comparable data for other cities. It provides specific information that the reader might require in decision-making, such as obtaining preliminary market information, investing in the city, cost of starting a business, available resources or issues surrounding a potential move to the local area. City or community brochures and economic profiles are useful tools if attracting businesses into the community is an economic development objective (see *Case Study 15* below). A properly designed booklet will have additional value if used in conjunction with other communication methods.

Much of the data for the profile can be obtained during a strategic planning process (see *Tool 3a* in the **ToolKit**). Types of data communicated in the profile might include

- ❑ Location, climatic and geographic information — distances and locations with respect to other major urban areas, history and heritage description of the LED area
- ❑ A socio-demographic profile
- ❑ A general description of the structure of the local economy
- ❑ An employment profile, and a description of each major group of economic activities (primary, manufacturing, construction, wholesale & retail trade, education, etc.)
- ❑ Education and labor force characteristics (employment/unemployment, employment by occupation, wages & salaries, etc.)
- ❑ Communications infrastructure
- ❑ Transportation infrastructure
- ❑ Utility infrastructure
- ❑ Business start-up and operation costs (labor, real estate: lease and sale, permits, utilities and communication, taxes, etc.)
- ❑ Financial support infrastructure
- ❑ Financial, accounting, consulting resources
- ❑ Natural and academic resources
- ❑ Tourism and cultural resources
- ❑ Foreign investment and trade
- ❑ A description of the quality of life in the LED area and its components (living standards, health care, social insurance, environment, etc.)
- ❑ Organizational resources, such as chambers of commerce, and economic development organizations

Develop a community profile letter

A community profile letter offers an alternative or complementary approach for communities trying to attract prospective businesses. A community profile letter is a personal letter sent directly from the city manager, township supervisor and/or economic development coordinator to the chief executive officer of the prospective business. They send it as a personalized business letter printed on a letter-quality word processor. This letter contains all the information about the community in which the business has expressed interest, or which the community leaders feel the business could use in making its decision. This information should be continuously updated so that each printed letter has up-to-date information.

A community brochure might also be included with each letter, but the brochure has a different purpose than that of the letter. The aim of the brochure is not to transmit specific information. Rather, it communicates an image of the community as a good place to live and work.

Community Benefits

- ❑ Promotes the local area
LED publications help local businesses promote themselves to other businesses, both locally and outside the LED area, and to tourists. Publications assist with attracting new businesses to the LED area.
- ❑ Increased job creation
Effective LED publications can assist job creation by attracting new businesses and linking existing businesses together. In addition, the development of the publications can be used as new sources of employment.

Obstacles and Challenges

- ❑ High production costs
LED publications can be expensive to produce (cost of including images, printing on high-quality paper and professional binding) and difficult to keep current as information constantly changes. Community profile letters, however, are usually inexpensive to produce.
- ❑ Impersonal common-place products
Local areas commonly produce LED publications. The standardized format and text of the publications might appear impersonal, making it difficult for them to stand out to prospective businesses and investors.

Case Study 15: Development of an Economic Profile for Blagoevgrad, Bulgaria

The municipality of Blagoevgrad is a small city of approximately 78,000 people. A plan outlining strategic development for the city until 2015 was produced, and creating a favorable environment for foreign business recruitment was identified as a top priority for economic development. To achieve this goal, the municipality decided it was necessary to develop a promotional tool for the municipality; a document that would provide targeted and structured information. As a result, a marketing profile was developed.

The first step in the development of a marketing profile was to assess past business recruitment efforts. Weaknesses in the City's attempts to attract businesses included the following:

- Lack of enough specific information that would interest potential investors;
- The information available was inappropriate, unstructured and often targeted at tourists instead of businesses;
- Lack of technical capability to produce timely updates of dynamic economic data; and
- The information was presented in an expensive format, the traditional printed brochure.

In response to these weaknesses, the municipality decided to create an inexpensive electronic marketing profile, targeted at foreign investors, highlighting the strengths and weaknesses of the area. The profile was developed in several stages. Initially, a concept was conceived for the profile. The second stage was to plan the layout of the profile. After this was completed, the relevant data for the profile was collected. Information collected for the profile consisted of: the following

- Workforce data;
- Taxes and fees;
- Environmental protection requirements; and
- Infrastructure (e.g. transport, telecommunications, water and energy).

The final stage of the process was to edit the information to ensure that the profile was written clearly and concisely. Since the marketing profile has been uploaded onto the Internet, there have been multiple benefits for Blagoevgrad. The electronic format of the profile has made it easy for prospective businesses to immediately assess information about the municipality. In addition, the profile can be updated often as information changes and is inexpensive to maintain. Several other municipalities in the area have followed Blagoevgrad's example and initiated their own profiles.

Further Information:

Foundation for Local Government Reform

Technical Twinning Program

22-A San Stefano str. Sofia 1504, Bulgaria

Tel.: +359 2 943 44 22 Fax: +359 2 944 23 50

Email: flgr@flgr.bg http://www.flgr.bg/techtwin_new/blagoev_caseen.htm

❑ **Inaccurate information**

In an attempt to attract new businesses, LED publications might be developed to present an artificially positive image of a community.

Resource Links

Community Profile Network
<http://www.villageprofile.com/>

Advanced Actions

The *Initial Actions* provided above are followed by *Advanced Actions*, which are more detailed and technical actions that will either require considerable organizational expertise, experience or money. In fact, most of these will require additional research and/or specific expertise. Depending on your approach, these might be one part of a larger LED strategic plan, or in some cases, they will be all that the local community can initiate and carry out. Some of these actions include establishing incubators, small business development centers, co-operatives, community development corporations (CDCs), micro-credit and basic infrastructure.

Marketing and Knowledge Management

Action 9. Knowledge Management

Related Actions: Research and Analysis; LED Publications; Marketing; Institutional Co-operation Mechanisms

Summary

Knowledge Management, also sometimes referred to as Knowledge Sharing, is primarily about putting people in touch with each other, with expertise and with information. It is about getting the right knowledge to the right people at the right time. It is about creating a way to help people share information and to ensure that knowledge is retained before a project ends or a staff member leaves. It is about creating institutional memory. It is about learning.

Knowledge Management is a relatively new concept in local economic development. It has largely evolved with, and because of, the pervasiveness of technical advances and the increase of information at our disposal. While Knowledge Management can use technological tools, such as the Internet or databases, it is more than that. It can also mean the institutionalization of information-sharing meetings or the development of newsletters. Knowledge Management (KM) strategies might vary, depending on the needs of decision-makers and the availability of relevant information.

Making Knowledge Management work

Develop a knowledge management structure

Sharing and managing knowledge is a big job. It often requires a dedicated staff person to develop strategies to manage and share knowledge internally.

It is also helpful for the goals and principles of knowledge management to be understood and shared within the organization. This allows knowledge to be shared easily. As well, open internal access to knowledge allows for a better understanding of what knowledge is important to the organization and what needs to be managed. Clear guidelines are also needed for managing and storing knowledge internally. These guidelines can include details about how long information should be kept, what sort of information needs to be kept, where it will be stored and who will have access to it.

Establish tools for knowledge management

Whether the knowledge management needs of your organization or project are fulfilled through a weekly face-to-face meeting, or through technical means such as an intranet or Web portal, tools are needed to structure the way knowledge will be shared and managed. Examples of such tools include

Non-Technical

- Simple bulletin boards (public boards, local newspaper postings, basic Websites)
 - Job opportunities
 - Market opportunity bulletin boards
 - Local procurement opportunities

- Face-to-face meetings

- Fact sheets

- Policy documents

Technical

- Shared computer networks

- Intranets

- Databases

- FTP sites

- Web portals

Create mechanisms to facilitate the sharing of information

There is often a reluctance to share knowledge and a lack of recognition of what information is important or valuable. It is important to introduce mechanisms that will encourage the sharing and expression of tacit knowledge, as well as the recognition and support for knowledge-sharing in general.

Ensure people are trained

People create knowledge; therefore, people are central to any knowledge management system. Knowledge management implies the sharing of knowledge with other organizations, people and cultures. Through this sharing, knowledge is not lost when a project ends, or when someone leaves. It is important to ensure that the people involved in a knowledge management strategy receive the training necessary to use knowledge-sharing tools and to learn about the importance of KM to the organization.

Community Benefits

- ❑ Improved governance

Knowledge Management can help improve governance. This is possible due to an increase in transparency through the sharing and access of information. People become easier to contact, organizational structures are more transparent and documents are often available through on-line resources. This gives access to information to a wide variety of people and groups. Finally, decision-making is improved with greater access to information.
- ❑ Increasing linkages

The purpose of Knowledge Management is to facilitate the sharing and transfer of information and knowledge. This facilitates the creation or strengthening of links with other partners, communities and countries, and between different levels of government. Information about programs, activities and resource management is shared, thereby creating opportunities for learning. Significantly, Knowledge Management provides the opportunity to learn from other organizations' or countries' mistakes, and from their success in local economic development. It also allows for past mistakes and challenges to be recorded, so that those same mistakes are not repeated, due to a lack of institutional memory. Institutional memory is the retention of lessons learned. It is also the memory within an organization about the successes and failures of past projects.
- ❑ Capacity development

Sharing knowledge helps build capacity through ongoing education and learning. People engaged in knowledge management usually expand their technical skills through regular computer use. Encouraging the sharing of knowledge also increases capacity by empowering people to use and access knowledge. Knowledge management often allows for the horizontal flow of information, giving voice to the poor or marginalized who might not otherwise have the opportunity to connect with professionals. Therefore, KM fosters job creation and helps to facilitate partnerships between people for LED.
- ❑ Institutionalization of knowledge

Loss of knowledge when staff or contractors leave, or when a project ends, can be avoided with a clear Knowledge Management strategy. Important information, such as contacts, outcomes, processes, research studies and other research can be kept long after a person leaves the organization or the project ends.

- ❑ Incorporation of outside knowledge
Effective knowledge management might allow LED stakeholders to access information from outside their community and outside their own local experience, which could be useful in the LED process. For example, when considering the merits of a particular LED initiative, decision-makers might more easily read about experiences in other communities that have undertaken similar initiatives in the past. Outside knowledge can be useful for LED, and knowledge management can make it more accessible.

Obstacles and Challenges

- ❑ Setting priorities
One challenge in developing Knowledge Management systems is simply the difficulty in setting the priority to share or manage knowledge. Often, politics or other priorities will overshadow the mandate to share and manage knowledge. It becomes easier to maintain a Knowledge Management strategy if the practices and policies are clearly laid out, and training is provided at the beginning to entrench and routinize the knowledge-sharing practices.
- ❑ Information overload
Knowledge Management allows a great deal of information to be shared and accessed in a wide variety of formats, whether through regular information-sharing meetings, e-mail list serves, Web portals, or shared network drives. Too much information can become available, making it difficult to discern the valuable information from the invaluable. The possibility can also arise where increased access to information can lead to an increased work load, which runs counter to the belief that more information might increase the efficiency of work. Strategies to avoid information overload include a well-designed KM system. For example, this can mean carefully filing information according to topic or project, so that information is easy to locate and retrieve. It can also be helpful to ensure that information retained is carefully labeled, according to a set of agreed-upon criteria.
- ❑ Informal knowledge
Knowledge Sharing goes further than simply setting up shared networks or Web portals. Much of the information and knowledge is contained within the learning experiences of people working in a given area on a given topic, and poses some special challenges to Knowledge Management. This speaks to the informal nature of the knowledge that exists within an organization. Some ways

in which this informal or contextual knowledge can be tapped is by holding regular information-sharing meetings and exit interviews when someone leaves. This will help to ensure that important sources of informal knowledge are not lost and that experiences are recorded or shared.

Knowledge Management can also mean documenting information that is generally not written. For example, oral histories or traditions of aboriginal people in Canada have traditionally not been recorded in a written form, and can be lost if they are not repeated to subsequent generations. A Knowledge Management strategy can help to capture that information.

❑ **Limitations in Communication Infrastructure**

Some tools for knowledge management, particularly technical tools (e.g., shared computer networks), can be difficult to establish due to limitations in communication infrastructure. For this reason, a multifaceted strategy for knowledge management that incorporates different tools (technical and non-technical) might be needed, as appropriate.

Case Study 16: Development Gateway Foundation, USA

The Development Gateway Foundation Web site is an excellent example of how knowledge management can be done well. Through the extensive use of information and communication technology (ICT), the Development Gateway Foundation is able to fulfill its mission of improving public sector transparency, enabling aid effectiveness, increasing knowledge sharing and building local capacity to empower communities, through the medium of a Web portal. This Web site links a great many topics and people together to better share information and resources. The Development Gateway is currently contributing toward increasing knowledge sharing through the Development Gateway portal, Topic Pages, a Development Gateway Forum and a Training Center in the Republic of Korea.

The Development Gateway Foundation provides a space for communities to share information and experiences on development projects. In addition, the Development Gateway Foundation has a Country Gateway, which networks locally owned and managed public-private partnerships in 58 countries. Each of these 58 networks facilitates innovative and effective use of the Internet and other ICTs in the country to reduce poverty and promote sustainable development. Another feature of this Web portal is the Topic Pages, where over 80,000 registered users of the Development Gateway share information, knowledge and experience on a variety of topics and issues such as Culture and Development, Foreign Direct Investment, Globalization, Knowledge Economy, Microfinance, and Youth for Development.

Source:

Development Gateway Foundation

Case Study 16 (Continued)

Further Information:

Development Gateway Foundation

1889 F Street NW, 2nd floor

Washington, DC, US 20006

PTel.: +1-202-458-6868

Fax: +1-202-458-6424

info@dgfoundation.org

http://www.developmentgateway.org/

Case Study 17: Business Information Database, Mozambique

As part of a LED strategy in Mozambique, a business information database was created. The database will support further economic activity, and focuses on gathering and supplying information on different markets, producers and buyers. The Business Information Database is provided through a Local Economic Development Agency and facilitates the establishment of contacts between producers and clients. The type of data collected and supplied through the Business Information Database includes the following:

- Address details of companies, business institutions or administrative offices;
- Information about products, supplier or potential markets;
- Sources of funding (e.g. credit lines, assistance programs, bank documents or procedures);
- Trade events (e.g. .fairs, exhibitions or commodity exchanges);
- Information on custom tariffs, concessions, exemptions or quotas;
- Updated information on legal and taxation regulations; and
- LED projects in the works.

Source:

http://www.ilo.org/dyn/empent/docs/F684122533/case%20study%20moz.pdf

Further Information:

http://www.ilo.org/dyn/empent/empent.portal?p_prog=L

Resource Links

Health Canada's Knowledge Management Web site

<http://www.hc-sc.gc.ca/iacob-dgiac/km-gs/english/kmhome.htm>

Sharing Knowledge: Innovations and Remaining Challenges

http://www.worldbank.org/oed/knowledge_evaluation/

Knowledge Management for Development

<http://open.bellanet.org/km/>

Organisation for Economic Co-operation and Development

E-government, Knowledge Management and the Use of IT

http://www.oecd.org/about/0,2337,en_2649_34133_1_1_1_1_37405,00.html

Action 10. Marketing

Related Actions: Research and Analysis; Buy Local Campaign; LED Publications; Knowledge Management; Creating LED Organizations; Foreign Direct Investment

Summary

Marketing is a process that uses information to obtain a greater understanding of existing and potential customers, products and/or businesses within a locale. The main purpose of marketing is to assist local areas to strategically enhance their services and products and match them with customers. Marketing enables communities to tailor their services, labor and products towards the needs of customers and businesses, thereby creating more economic opportunities and promoting local economic development.

Marketing helps communities assess how their services, labor pools and/or products compare in relation to other locations. It empowers business owners and citizens to develop strategies to sell their local area and/or its products. Marketing can also be used to encourage local exchange of labor, goods and services through “buy local” campaigns (see *Action 6: Local Procurement* and ‘Buy Local’ Campaigns).

In many cases, promotion is confused with marketing. Although promotion is a key aspect of marketing, it is usually insufficient as a stand-alone action for effective marketing within an area. The success of marketing depends on adopting appropriate strategies and actions, which have been articulated in a marketing plan. Outlined below are important aspects in the development of a marketing plan.

Making Marketing work

Determine your desired results

Before a local area embarks on implementing marketing strategies, it is important that they determine their desired results. These outcomes should reflect the overall LED objectives that were identified using the **Manual** (see *Step 5: Setting Objectives*). Marketing will be most effective when strategies are designed to meet these objectives. In some cases, the desired result might be to attract new businesses, or to retain existing labor pools within the area.

Understand the local market and community resources.

In the **Manual**, *Step 3: Situation Analysis* suggests undertaking research and analysis of the local business environment. This will illuminate opportunities for LED, providing directions for marketing strategies (see *Step 3: Situation Assessment Tools* in the **ToolKit**). For example, the analysis might indicate

that attracting new business from outside the community offers the most potential for increasing employment.

Determine target markets

Target markets are segments of the market that have been identified as having the greatest potential. It is important that marketing activities are directed towards target markets. These target groups should reflect segments of the market to which local businesses and municipalities can best provide services and products. Target markets might be characterized by factors such as age, income, nationality or employment sector. For instance, a situation analysis might reveal that there are opportunities for tourism, with the greatest prospects of attracting families to the area.

Develop a set of marketing actions

After the target markets have been identified, a set of actions needs to be developed for marketing. Depending on the target markets, these actions might range in scale from publishing a newsletter to organizing a conference. For example, if the purpose of marketing is to retain existing businesses and the target market is comprised of local business owners, marketing strategies might include offering incentives to existing businesses, such as special tax advantages. In addition, a useful initial action is the creation of a business directory (see *Action 8: LED Publications*). A business directory provides potential investors with a comprehensive reference and can help identify potential partnerships between local businesses. Possible marketing actions include

- Developing an inventory of land and buildings available for expansion;
- “Buy local” campaigns (see *Action 6 Local Procurement* and “Buy Local” Campaigns);
- Producing packages with LED publications sent to potential investors;
- Internet marketing;
- Community branding; and
- Market linking.

Determine what you want to say and the best way to say it

Promotion is an integral aspect of marketing. The media that are accustomed to conveying the marketing message can be highly influential. In some cases, low-cost measures such as newsletters, banners and city slogans can effectively reach the target market. More cost-intensive marketing vehicles such as a community brochure, an Internet site and video presentations might be more appropriate for reaching markets outside the region (see *Case Study 17* below). Promotion is an ongoing action and should be used to highlight positive change within the community. Promotional activities include

- ❑ LED publications (see *Action 8: LED Publications*);
- ❑ Radio and/or television advertising;
- ❑ Signs, posters and banners;
- ❑ Print advertisements and articles;
- ❑ Newsletters;
- ❑ Web sites;
- ❑ Festivals and community events;
- ❑ Exhibits at regional fairs and/or conferences;
- ❑ Logos and slogans; and
- ❑ Packaging of products, designed for promotion

Measure your success

In the marketing plan, develop realistic methods and targets to evaluate the success of the community's marketing efforts. Indicators such as tourism rates, number of jobs created/retained and the number of business inquiries about the community can indicate the effectiveness of your marketing strategies

Ensure the quality of products and services when promoting them

Marketing is about informing people of a product or service that they should want to have. The quality of a product or service should be high. Poor quality is a major factor in underperformance in many industries. Remember the old adage: Nothing kills a poor product or service faster than good marketing!

Community Benefits

- ❑ Fosters a more productive local economy
Marketing can help a community attract, retain and expand local economic activity. Successful marketing assists communities to increase employment stability and the number of jobs available to its citizens over the long-term. Spin-off effects from marketing might benefit other industries and/or businesses.
- ❑ Fosters a renewed sense of community pride
Marketing can help improve the image of a community by fostering discussion about its positive aspects and then promoting actions emphasizing these strengths. In communities with a negative public image, marketing can instill pride and improve self-esteem among citizens, while improving the outward image of the community.
- ❑ Improves communication between citizens and public employees
Citizens are often involved in diverse aspects of the marketing process. Involving multiple stakeholders in market research and promotion are examples of

opportunities to increase communication and co-operation among different sectors.

Obstacles and Challenges

- ❑ **Expecting too much too soon**
Marketing often takes time to pay off. During the marketing process, parties might become frustrated and wish to abandon the marketing project.
- ❑ **Access to required information**
Marketing often requires a substantial research effort to understand characteristics of the target markets, or even which market to target . For many communities, lack of accessible information or clear thinking about what information is important can impede the marketing strategy or waste resourced with ineffective marketing.
- ❑ **Market changes**
Market behavior can be unpredictable and demands from target markets might change unexpectedly. Marketing strategies might have to be adapted to respond to these changes.
- ❑ **Scattering efforts**
Communities might use marketing to try and fulfill more LED objectives than they can achieve with their resources. It is more useful to focus on a few tangible objectives than trying to do everything at once.
- ❑ **Competing over your head**
Rather than focusing on the uniqueness of the local area, marketing efforts might be directed towards competing with communities with a different set of resources. This might accentuate what the local area lacks instead of what it has to offer potential customers.

Case Study 18: Joint Marketing Initiative (JMI), Cape Town, South Africa

The Province of the Western Cape and the City of Cape Town launched the Joint Marketing Initiative (JMI) in April 2001 as a shared initiative in an effort to promote these locales to national and international markets to attract trade, investment and tourism. The joint project marks the start of a new era of co-operation in which both spheres of government will dovetail their economic objectives. As the manager of the process explains: "We want people beyond our borders to identify the province and the city as an efficient, world-class destination with a common commitment to providing excellent service in all areas. It makes perfect economic sense to bring all our efforts under one umbrella with a single marketing approach." The five key sectors embraced by the JMI are the following:

- Tourism (including leisure, conferencing, membership, information and special projects);
- Major events;
- Film;
- Investment promotion; and
- Trade and export promotion.

The objectives of the JMI are the following:

- To clarify strategic focus in relation to the marketing of tourism and the promotion of trade and investment;
- To avoid duplication and overlap between spheres of government and the private sector;
- To achieve synergy, alignment, rationalization and leverage for economic growth and development; and
- To create a coherent, multi-disciplinary and effective marketing strategy that is driven by customer needs.

It should be stressed that the intention of the JMI is not to create a new one-size-fits-all bureaucracy but to achieve success through alignment of strategies and structures. The aim of the partnership is to promote the region and the city, which will stimulate the local economy and increase job creation. Marketing efforts have centered on the creation of a brand for Western Cape and the City of Cape Town. The purpose of the brand is to shape domestic and foreign perceptions of the region as a desirable place in which to do business, invest and visit. To develop this brand, seven steps have been followed:

- Step 1: Vision and Goals;
- Step 2: Resource Analysis;
- Step 3: Market segmentation and target markets;
- Step 4: Positioning;
- Step 5: Capabilities for success;
- Step 6: Marketing mix and tactics; and
- Step 7: Organizational design and implementation.

Further Information: The Joint Marketing Initiative <http://www.jmi.co.za/>

Case Study 19: Economic Development Marketing Program, Vidin, Bulgaria

The Municipality of Vidin, Bulgaria has experienced a high rate of unemployment (25per cent, in part due to the closure of a large chemical and tire factory that supplied 5,000 jobs, and conflict in the former Republic of Yugoslavia, resulting in reduced trade with Serbia. A bridge crossing the Danube River has presented new opportunities for Vidin to market itself globally as a manufacturing center. However, Vidin's prior marketing efforts lacked information specifically targeted to respond quickly and effectively to potential investors. Vidin became involved in the Bulgarian Technical Twinning Program and was matched with the city of West Carrollton, Ohio to work together on economic development projects. Through this partnership, the municipality developed an economic development marketing plan. A major component of this plan was the creation of a business Web site. The main goals of the website were identified as follows:

- To be user friendly so businesses can easily assess all the information they need from their office;
- To provide both summary and detailed information about economic opportunities in Vidin;
- To illustrate Vidin's geographic location and proximity to major markets;
- To provide information on the municipal economy, contacts for local companies and available lots and agricultural lands located along major European highways; and
- To provide information on the construction of the bridge across the Danube.

The development of the Web site followed a detailed timeline and was completed in 2002. The benefits have been identified as follows:

- Put Vidin in a better position to respond quickly to investors;
- Allowed Vidin to focus on marketing the most strategic sites for development through the process of gathering information for the Web site;
- Municipal staff established valuable contacts through networking with private businesses in Vidin; and
- Municipal staff continue to build networking relationships with their economic development colleagues in national and regional organizations

Further Information:

Foundation for Local Government Reform

Technical Twinning Program

http://www.flgr.bg/techtwin_new/vidin_caseen.htm

Case Study 20: Rural Marketing, Banaskantha District, India

The Self-Employment Women's Association (SEWA) initiated Banascraft, a program aimed at helping poor women in the Banaskantha district of India to manufacture and market traditional handicrafts. Agriculture and cattle breeding are the primary means of livelihood in the sparsely populated district of Banaskantha. During lean periods, workers are forced to migrate in search of work. The Banascraft project aims to empower craftswomen in the district to earn a living through handicraft production, thereby retaining and expanding employment in the local area. The Banascraft program has assisted thousands of women to market their products locally, in urban markets in India and internationally. Crafts are marketed through a Banascraft store in the city of Ahmedabad and a shop in Delhi. Craftswomen also show their handicrafts at festivals and tradeshow in various cities in India and they have attended a trade show in France. Additional promotional activities have included customer discounts, print advertising, television commercials, special festival promotions and exhibits in major hotels. In exchange for facilitating the sales, Banascraft receives a 10 per cent share of the final selling price of the crafts. Prior to the program, craftswomen received lower prices for their goods from traders. The Banascraft program has increased employment for women and helped to preserve craft traditions within the district. Women in Banaskantha have also gained experience working with business people and government officials within and beyond their local area.

Source: ILO

Further Information:

Menning, Garret. *SEWA Banascraft Project: A Case Study in Rural Marketing Paper, presented at the Business Services for Small Enterprises in Asia: Developing Markets and Measuring Performance International Conference ILO. Hanoi, April 2000.*

Case Study 21: Fair Trade Marketing, Ecuador

In the mid 1990s, coffee producers in Ecuador were facing rapidly declining prices for coffee. This resulted from overproduction of beans and an emergence of new coffee-producing countries. As a result, many coffee farmers converted their crops, sold or lost their land. In the late 1990s, the University of Georgia and the Ecuadorian Maquipucuna Foundation ventured into a partnership to protect the biodiversity of a conservation corridor in Ecuador named the Choco Andes Biodiversity Corridor, and to ensure the livelihoods of coffee farmers living in the Choco Andean region. Through this partnership, the Allanza Choco-Andes project was founded. The goals of the project are to

- Assist farmers to directly market their coffee;
- Provide farmers with access to certified organic seeds; and
- Provide adequate processing facilities for shade-grown coffee.

Case Study 21 (Continued)

Through this project, the farmers have tailored their coffee towards gourmet-grade organic production. The coffee is bought by the Maquipucuna Foundation and then transported to a local coffee roaster in Athens, Georgia. Using direct marketing, the coffee is then sold over the Internet and to a coffee shop located in the University of Georgia. This project has enabled farmers to engage in sustainable coffee production that protects the productivity of their land. In addition, the project has enabled coffee farmers to receive profits several times higher than selling their coffee to intermediaries at regular market prices. Through an effective marketing strategy, the farmers are now producing a world-class product and reducing poverty in their region.

For Further Information:

The University of Georgia <http://www.uga.edu/aboutUGA/competemaquipucuna.html>

The Maquipucuna Foundation <http://www.maqui.org>

Choco Andes Foundation <http://www.chocoandes.org/>

Resource Links

International Economic Development Council: Economic Development Resource Guide
http://www.iedconline.org/hotlinks/ED_Marketing.html

Municipal Research & Services Center of Washington
<http://www.mrsc.org/Subjects/Econ/ed-mark.aspx>

Entrepreneur and small business support

Action 11. Incubators

Related Actions: Skills Training Centers; Small Business Development Centers; Physical Infrastructure Investment; Clusters; Micro-Credit

Summary

An incubator is a facility committed to helping new entrepreneurial firms succeed by providing them with managerial support and skills training. Normally, an incubator consists of a building or set of buildings where office space is rented out to fledgling businesses at below-market rents to help minimize their overhead. Often, the buildings are old warehouses, factories, office buildings or retail space that would otherwise be vacant and unused.

Incubators typically provide secretarial support staff and office infrastructure, such as equipment, photocopiers, telephones, office furniture and conference rooms shared by tenants. Incubators might house industrial, manufacturing or commercial businesses, or sometimes a mixture of business types.

Incubator managers review incoming firms' business plans and guide them to strengthen their business so that they can "graduate" from the incubator and move out within two to three years. Normally, the incubator will select only those businesses that will benefit most from participating in the incubator. Managers also help incubating businesses with such things as navigating government regulations, obtaining business licenses and preparing income tax returns.

Incubators can be set up by not-for-profit or for-profit organizations and might be run by a number of agencies and organizations, including city governments, chambers of commerce, private corporations or economic development corporations. A consortium of partner agencies and organizations can also operate incubators.

Making Incubators work

Ensure qualified managerial support

New businesses typically fail because they have to "go-it-alone" while facing new challenges, uncertainties, long hours and difficult conditions. Incubators address these basic issues. The key to the success of an incubator is strong managerial support provided by the operating organization. This includes having enough staff to give adequate time to all the participating firms. Managers should be competent and experienced business leaders who are able to provide client businesses with technical assistance on accounting, taxes, marketing, financing, labor issues, etc. Incubators are oriented

towards increasing participating businesses' skills base (see *Action 12: Skills Training Centers*); therefore, managerial staff should be knowledgeable about business development.

Provide access to financing and seed capital

To help ensure financial stability and viability, incubators often use micro-credit programs (see *Action 24: Micro-Credit*) to provide venture capital to participating firms. Seed capital can be either debt or equity capital and varies in amount, depending on the nature of the small business, its needs and the risk involved. Although financing might be limited, even small amounts of venture capital are helpful (see *Case Study 22*, below).

Accept only firms with good business plans

An incubator program is only as successful as the number of businesses it "graduates." It is important to ensure that the businesses accepted into the incubator program are committed to becoming self-sufficient businesses.

Draw upon graduated businesses' knowledge to assist new businesses

Incubators present an opportunity for graduated businesses to pass on their knowledge to assist new businesses and support the incubator. To achieve this, successful graduates of the incubator might be required to provide in-kind services in future years, such as sharing their experiences with new participants.

Monitor the incubator

An integral aspect of operating a successful incubator is monitoring (see *Step 9: Monitor and Evaluate in the Manual*). The incubator should be dynamic, evolving to meet the specific needs of the participating businesses.

Community Benefits

- ❑ Protects and nurtures start-ups
Incubators help small firms through their most vulnerable time, and can mean the difference between success and failure.
- ❑ Improves local economies and provides local jobs by creating successful small businesses
In the US, numerous studies have demonstrated that the majority of incubator "graduates" is still in business. The new businesses provide local jobs, strengthen the local community and help diversify the local economy.

- ❑ Physical revitalization and heritage preservation
Incubators often locate in underused or vacant commercial buildings, which they subsequently renovate. Their presence can help animate previously depressed neighborhoods and, if the incubator is located in an older building, assist with community heritage preservation.
- ❑ Creates business networks
Businesses that participate in incubator programs broaden their professional networks. This assists businesses in expanding their activities and strengthens relationships between local businesses. The results of building networks include retaining employment in a local area and fostering private partnerships.

Obstacles and Challenges

- ❑ Lack of managerial support, training, marketing and business contacts
Sometimes incubators only provide cheap rent for small businesses; although this can be helpful when a business is just starting, it might limit a new business' success. Incubators that graduate more successful businesses offer strong managerial support, skills training, marketing assistance and business contacts.
- ❑ Securing adequate funding
Incubator programs usually commit to assisting participating businesses for several years. Therefore, adequate funding for rent, operating costs and loans are essential. Adequate funding for incubators can be secured through developing realistic business plans and forming partnerships with local governments, educational institutions and businesses.

Case Study 22: High-tech Incubators, People's Republic of China

China opened its first high-tech incubator in 1988. Since then, 200 high-tech enterprise incubators have been built. The incubators assist more than 5,290 enterprises, in addition to 1,900-plus enterprises, which have matured. In 2001, the combined annual revenue of these enterprises was more than US\$2.6 billion and they provided 164,000 jobs.

Most of China's incubators are non-profit organizations coordinated by the Ministry of Science and Technology's Torch High-technology Industry Development Center. Although the incubators are government run, the participating firms are almost all private.

China's incubators normally consist of one or several floors of a publicly owned office building, and focus on biotechnology, microelectronics, software and telecommunications market specializations. Rents are initially 50 per cent or more below market price and rise over a three- to four-year period to encourage firms to become self-sufficient. Staff provide participating companies advice on management practices and loan applications as well as low-cost or free legal and accounting services.

There is also limited access to venture capital. Although loans tend to be small, they are important in China where venture capital, especially for small entrepreneurial firms, is still difficult to come by. The most significant problems that China's business incubator program has encountered mainly relate to managers with little relevant business expertise, and incubator understaffing. The lack of staff has resulted in some businesses receiving very limited support and assistance.

In 2001, China's Ministry of Science and Technology decided to earmark US\$2.4 million annually to support the construction and development of high-tech enterprise incubators over 10 years. The construction of incubators is not limited to high-tech development zones, but will also extend to universities, scientific research institutes and State-owned enterprises.

Source:

China Education and Research Network

<http://www.edu.cn/20010101/22351.shtml>

Case Study 23: The Technology Innovation Centre at the University of Technology, Kingston (Jamaica)

The Entrepreneurial Center at the University of Technology in Kingston offers business services to start-up companies either operating from home or located at the university. Services for at-home businesses include use of the Extension Center's mailing address, postal delivery, outgoing mail handling, office reception, telephone answering services and access to the University's resource library. The extended program allows the entrepreneur to be physically based at the Center, providing a cubicle, access to conference rooms and other business services.

The Business Center is now planning to transform its entrepreneurial Center into a Technology Innovation Center. The facility will nurture start-ups and facilitate the development of early-stage enterprises into stronger and larger companies by providing essential business services, consultation, training and flexible working space. As part of the new direction, a new 1,500-square-meter [16,150-square-foot] center will be constructed.

The decision to refocus the business Center as a technology-focused Center is intended to give graduating students with sought after technical skills the opportunity to launch their business careers in Jamaica rather than out of the country. It also highlights the major challenge faced by both the Business Center and the new Technology Innovation Center of keeping skilled workers in the country.

Further Information:

Technology Innovation Center

University of Technology Jamaica

<http://www.utech.edu.jm/> or <http://www.ticjamaica.com/>

Canadian International Development Agency

www.cidajamaica.org.jm/privsec.htm

Resource Links

The National Business Incubator Association

www.nbia.org

European Union Quick Impact Facility

<http://www.euqif.ba/arhiv/publikacije/BusinessIncubatorsEng.pdf>

United Nations Industrial Development Organization

<http://www.unido.org>

Action 12. Skills Training Center

Related Actions: Small Business Development Center; Partnerships; Micro-Credit; Support for the Informal Sector

Summary

A Skills Training Center is a facility that works in partnership with businesses and the community to provide access to education and training in various fields, conduct programs to assist the creation of employment opportunities and make available a job bank network for the community.

Making Skills Training Centers work

Linking skills training to job placement

Matching skills training to the needs of the marketplace through job placement assistance is key to making Skills Training Centers work. To determine the needs of the marketplace, an evaluation of the local area is useful (see *Step 3: Situation Analysis* in **The Manual**). Some of methods discussed in Action 4: Research and Analysis can help evaluate the marketplace in the local area.

Identify training needs and develop an appropriate plan

Centers should offer programs that match local labor market training needs, and the skills taught should be in relatively high demand in the local community. Community training needs should be identified (e.g., In what areas and sectors does community capacity need building?), in addition to the development of a training plan designed to meet the identified need.

Identify partners and take community context into account

Human, technical and financing resources should be identified. Training centers are usually developed through collaboration between local authorities and the private sector; therefore, the potential for partnerships should be considered (see *Action 22: Partnerships*). Although the local authority should play a leading role, especially in financing, other community players and organizations should be involved. The social, cultural, religious, economic and political context of the locale must also be identified and incorporated in the Center's development plan, and local authorities should be consulted when identifying specific community needs.

Monitor and evaluate the Center's success

Continuously monitor and evaluate the performance, quality and results achieved and adjust Center training programs accordingly, when opportunities to improve training programs or when community needs change. Skills Training Centers should be flexible and adaptable.

Community Benefits

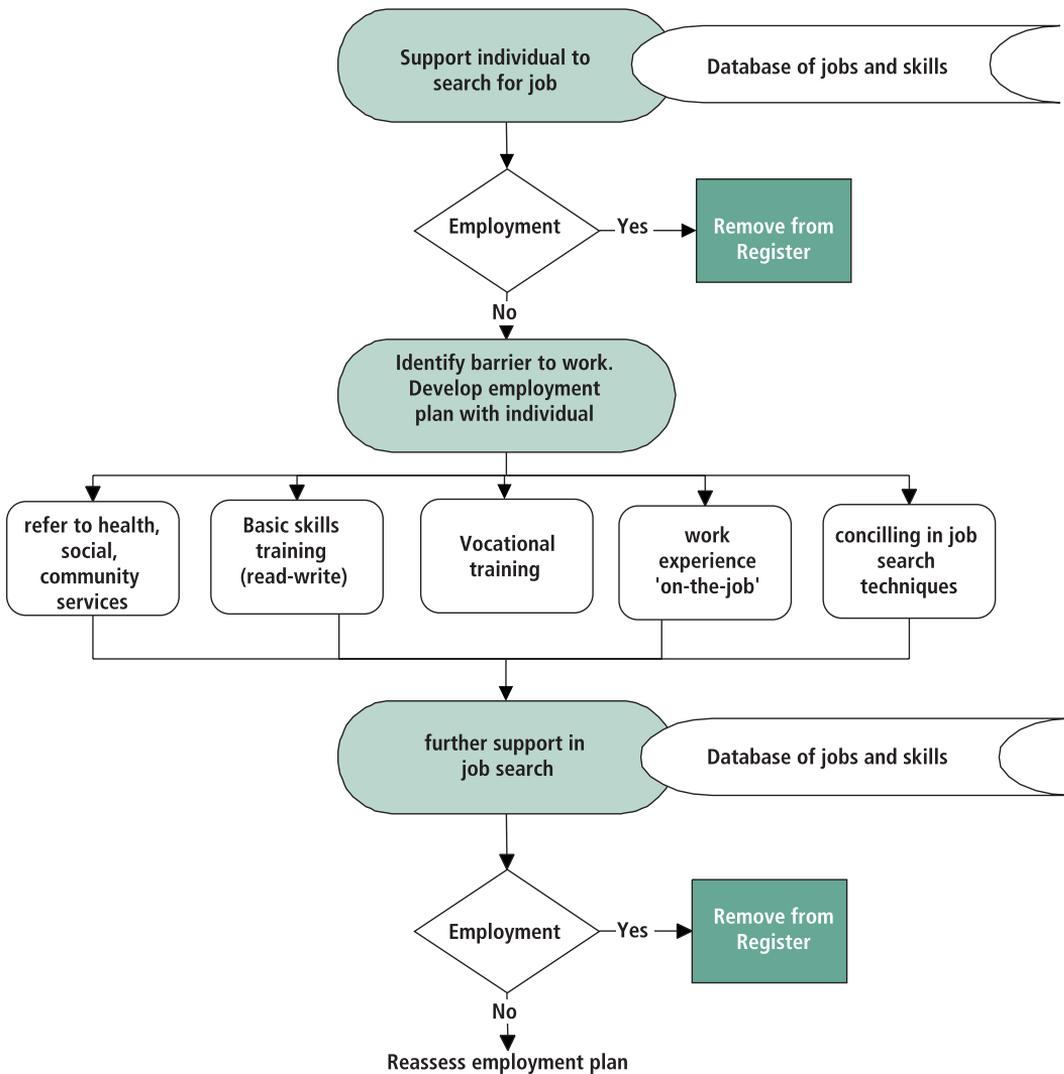
- ❑ Strengthens the skills and abilities of the community
Through the dissemination of information and training programs, the Center will help build local capacity, skills and education, which will have positive spin-off effects for the local community.
- ❑ Provides a venue where the business community can hire new recruits
Businesses can help develop Center training programs to help meet their own employment needs. Businesses can also hire program “graduates” to work in their firms.
- ❑ Promotes social development and gives people better opportunities
Skills Centers promote social development and can lead to increased entrepreneurial activity in the local community.

Obstacles and Challenges

- ❑ Increase divisions within the community
Training might only help individuals and not the community as a whole; therefore, it could increase disparity within the community.
- ❑ Promotes exclusivity
Center training programs should not only focus on some areas or members of the community at the exclusion of other programs and community members, in particular, youth and women. Also, fees should not be set high enough to exclude those people who need training the most. It should be affordable for the intended groups.

Example of a pathway to employment: support from a skills training center's job counseling, training and work experience scheme¹

Example of a pathway to employment: support from a skills training center’s job counseling, training and work experience scheme¹



¹ Adapted from European Union Quick Impact Facility. Local Economic Development Tools: An introduction for Municipalities and Local Economic Service Providers in Bosnia and Herzegovina. Quick Start Guide. V2. www.euqif.ba

Case Study 24: Women's Empowerment Program (WEP), Nepal

To help improve the welfare of women in rural Nepal, a government-sponsored Initiative, the Women's Empowerment Program (WEP), was developed to empower women through an innovative program integrating literacy, micro-finance and micro-enterprise training, and an understanding of legal rights and advocacy.

The objective of WEP is to develop well-managed, transparent savings and credit groups that enable women to borrow from their savings groups to develop micro-enterprises on the principle of women learning from women, and to increase women's self-confidence, decision-making power and leadership skills.

WEP, however, offers no seed money, matching grants or subsidized interest rates. Women must own the program by creating their own group policies, paying fees, buying books, providing facilities and supplies and finding literacy volunteers. WEP assumes that the poor will pay for the services they need. It requires that all members be literate, understand the banking process and know how to form and operate a business.

As a result, women's contributions are estimated at US\$260,000. Two-hundred-and-forty NGOs work as partners for implementation. WEP also encourages financial independence and for every ten WEP groups they work with, the NGO receives less than five dollars for administration. As a result, in-kind contributions from supporting NGOs are estimated at \$100,000 to date.

The program uses an approach that was developed in Nepal and encourages women to build on their strengths to overcome obstacles. This approach teaches an organization to learn and implement a major program in a transparent and accountable manner and to adopt low-cost methods to promote literacy and economic participation to reduce dependence on external funding. In the process, the program instils a sense of self-reliance.

WEP has also produced a four-part book series entitled Women in Business. The first book teaches basic literacy and numeracy as well as principles for forming strong groups. The second book teaches basic math skills to track the growth of savings. The third book teaches responsible lending and borrowing and basic bookkeeping, with the goal of enabling the group to function as a self-sufficient village bank. The final book teaches entrepreneurship. These simplified books enable newly literate women to teach each other basic skills. Within a few months, they start putting them to use in ways that ensure skill retention.

Overall, the program has demonstrated that women can teach themselves the skills they need to improve their lives, to save money and start small businesses. The Program reaches 123,000 women in nearly 7,000 economic groups in southern Nepal.

Further Information:

http://www.pactworld.org/initiatives/worth/worth_model.htm

Case Study 25: Tomaszow Enterprise Incubator Foundation, Poland

Tomaszow is a former industrial city, located in Poland, that has significant unemployment. To reduce unemployment and improve local vocational training capacity, a coalition of vocational training organizations called the Employment Forum was organized to co-ordinate vocational training programs and to develop new training schemes for the unemployed.

The Employment Forum was made up of representatives of training organizations, public officials from the City of Tomaszow and surrounding counties, local employers and unemployed persons. As a group, their first undertaking was to prepare a community needs assessment, which involved surveying 6,000 local employers to assess their training needs and hiring plans for the next three years. The survey was conducted with the assistance of unemployed community members. With this information, the Forum then built a database on local training needs, training capacity and training graduates to improve local information flow, develop better training courses and bring together newly trained individuals with potential employers. To date, three new training programs have been developed to meet specific local labor market and training needs.

The Employment Forum has also worked with the local government to develop and incorporate employment generating policies and programs in the City's planning processes. Representatives of large local companies also played a key role in formulating an employment strategy, later incorporated into the long-term municipal economic development plans.

In addition to helping with the development of new local policies and a municipal economic development plan, the Tomaszow Enterprise Incubator has achieved a high success rate for trainees, with 6per cent of trainees finding jobs or continuing their training education. The program is currently being expanded to include another four cities in the Piotrkow Province, and the cities of Opole and Zyrardow.

Further Information:

<http://www.bestpractices.org>

Resource Links

Women's Empowerment Program:

http://www.pactworld.org/initiatives/worth/worth_model.htm

World Bank Education Sector Strategy:

<http://www1.worldbank.org/education/strategy.asp>

Best Practices:

<http://www.bestpractices.org>.

Action 13. Micro and Small-Scale Enterprise (MSE) Development

Related Actions: Incubators, Small Business Development Centers; Partnerships, Micro-Credit, Support for the Informal Sector

Summary

Micro and Small-Scale Enterprise (MSE) development planning at the local government level aims to create linkages and networks among the local agencies concerned with different components of micro-enterprise. In addition, MSE development strives to build sustainable partnerships among government organizations, local government bodies, private sector institutions, non-governmental organizations and communities to ensure continuing support for micro-enterprises to grow, sustain and expand their businesses.

Making MSE work

Nurture and support micro-entrepreneurs

To achieve poverty reduction, it is important to design MSE programs not only for existing entrepreneurs, but also to take into account the market potential and the special needs of women and the poor. This can mean providing access for women to the program at, or near, their homes. Other aspects of meeting the needs of women through MSE programs might involve assisting in the organization of community-based childcare (see *ToolKit: Tool 3e*).

Provide and harness micro-credit

Successful Micro-credit components need (see *Action 24: Micro-Credit*) the following:

- ❑ Entrepreneurs who know their markets but need loans for working capital with terms less than one year;
- ❑ Streamlined lending and monitoring processes to minimize administrative costs. Credit decisions should be based on eligibility rather than on business appraisal;
- ❑ Lenders using special techniques such as sanctions or peer review, to motivate borrower repayment; and
- ❑ A strategy for long-term financial viability, which should be designed for cost-effectiveness and sustainability, and considers the full range of costs associated with MSE development.

Provide technical assistance

Technical assistance includes business and financial management capacity-building, business counselling, accounting and bookkeeping. Other initiatives include the following:

- Prototype development of products and processes;
- Quality control and testing of products/services;
- Identification of alternative raw materials, equipment, etc.;
- Product design and development;
- Improvement of packaging, labeling, etc.;
- Identification of “know-how” and adaptation of appropriate technology; and
- Upgrading of technical skills to match new developments (see *Action 12: Skills Training Centers*).

Develop Small Business Development Centers (see Action 14: Small Business Development Centers)

BDCs are designed to build capacity and offer support to entrepreneurs. Successful BDCs offer

- A centralized organization Center for business development;
- Capacity-building (e.g. business plan writing, credit referrals, management training);
- Support for existing enterprises;
- Training in new technology, management and marketing;
- Training in business ethics and practices that benefit the community.

Establish micro- and small enterprise boards (MSE)

Establish a community-based MSE to provide an institutional and regulatory framework for the implementation of government policy for MSEs. The boards can also advise and monitor the implementation of the government policies, recommend marketing strategies and co-ordinate education, training, technology and research initiatives.

Establish a marketing strategy (see Action 10: Marketing)

Marketing strategies for MSEs include

- Research of market opportunities;
- Development of sector-specific information systems;
- Participation in trade shows and missions at all economic levels;
- Building of organizational capacity for promotion;
- Development of linked marketing arrangements among MSEs;
- Cyberspace and Web marketing; and
- Improvement of marketing skills of individual MSEs.

Develop incubators (see Action 11: Incubators)

Incubators support fledgling businesses by providing inexpensive rental office space and support services (e.g., managerial support, secretarial, printing, etc.) during their first few years of operation.

Community Benefits

- ❑ Creates employment at the local level
MSE is specifically intended to help generate and sustain local employment.
- ❑ Facilitates poverty reduction with low-income families and women
Through targeted services and programs, MSE can create employment in sectors of the economy often hard to reach, such as women and youth.
- ❑ Builds capacity of micro-enterprise development services
By providing business training and development counseling, MSE builds capacity for local delivery of development services.

Obstacles and Challenges

- ❑ Lack of capital
MSE requires an injection of start-up and operational capital to begin operating.
- ❑ Limited market for products and services
Good market analysis is critical to MSE success. Business plans for small- and medium-sized enterprises should carefully examine marketing concerns and opportunities.
- ❑ Collaboration
Partnerships are usually essential for successful MSE development. Creating working partnerships between the public and private sector, in particular, can be difficult to undertake in some communities.

Case Study 26: Product Design and Development Center, Nairobi, Kenya

The Product Design and Development Center (PDDC) was created to improve the design and quality of Kenyan handicrafts and to commercially promote exports to Europe and the US. The stakeholders recognize that industrialized countries are interested in Kenyan handicrafts, but that their quality is usually poor. The PDDC suggests that the main problems include

- Low productivity;
- Modest and unstable product quality;
- Difficulties in timely delivery for larger contracts; and
- Lack of contacts with international buyers of handicraft products.

PDDC's activities include the following:

- Domestic and international marketing;
- Providing design consultancies;
- Developing production and training centers;
- Operating training and production workshops; and
- Managing a showroom and sales outlet.

Showroom sales are used to test the expatriate market reaction to designs, production methods and prices. This helps guide the product development process. Training consists of technical training in commercial craft manufacturing, entrepreneurship development and business skills.

PDDC has achieved the following results:

- 600-800 craft artisans trained per month;
- Creation of 700 jobs in sisal production for export of products;
- Development of new products in metal casting, resin manufacture, paper-making and paint finishes;
- Introduction of product design and development at the University of Nairobi;
- Publication of a series of technical and management papers; and
- Production of a catalogue and a Website.

Further Information:

Product Design & Development Center

PO Box 13953

Nairobi, Kenya

Tel: +254-2-750005

Fax: +254-2-751397

pddc@iconnect.co.ke

Case Study 27: Peri-Urban Lusaka Small Enterprise (PULSE) Project, Lusaka, Zambia

PULSE is an initiative implemented by CARE Zambia that began as a micro-finance institution in the peri-urban communities of Mtendere and George, near Lusaka, Zambia. It was created to address the needs of micro-entrepreneurs that are limited by a lack of skills and resources, unfavorable economic and political climates and a lack of access to capital at affordable rates. The goals of the project are to

- ❑ Increase household income;
- ❑ Improve economic security; and
- ❑ Create employment opportunities.

In order to achieve these goals, a variety of business development and financial services are offered by PULSE, including loans to individuals and groups of MSEs, savings programs and initiatives for MSEs and support for strengthening micro-finance institutions that provide loans.

PULSE's business management programs include management training courses (e.g., accounting) and technical training courses (e.g., food processing). To date, their program participants have generally been women who are the sole earners of their household income, although there is now a significant group of males.

By 1996, 2,018 loans had been disbursed amongst more than 3,000 members. The on-time repayment rate of these loans stood at 91 per cent and savings in the Loan Insurance Fund had accumulated to ZK122 million.

PULSE's credit scheme also has had a positive impact in terms of increased employment and strengthened businesses. A 1996 survey found that at least 112 full-time and 127 part-time jobs were created after

businesses received the loans. A further 1996 survey indicated that at least 180 permanent jobs and 150 seasonal jobs had been created. This survey also demonstrated that the project had indirectly generated 1,751 jobs. As a result of micro-lending, some participants have been able to change businesses and others have diversified their holdings. Loans have also enabled women to become less dependent on their spouses, offering them a more significant role at home and in the family.

Further Information:

Peri-Urban Lusaka Small Enterprise (PULSE) Project

CARE International-Zambia

PO Box 36238, Lusaka, Zambia

Tel.: 260 1 265 901

Fax: 260 1 265 060

info@carezam.org

Resource Links

Global Development Learning Network

World Bank Institute

MSN J2-202

1818 H Street, NW

Washington, DC 20433 – USA

Tel +1 202 458 8196

Fax +1 202 522 2005

Email GDLN@worldbank.org

<http://www.gdln.org/>

Canada-Yukon Business Service Centre

This helpful site is a good example of a business support tool and 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.

<http://www.cbcs.org/yukon/english/main.cfm>

Action 14. Small Business Development Centers

Related Actions: Incubators; Skills Training Center; Creating LED organizations; Micro and Small-Scale Enterprise (MSE) Development

Summary

Small Business Development Centers (SBDC) are organizations designed to provide a range of support for prospective and operating entrepreneurs. Their assistance helps enable entrepreneurs to run a small enterprise effectively and profitably. SBDCs offer technical support such as business plan writing, accounting and financial management training, marketing assistance and directory services to connect different buyers and suppliers. In addition to their own in-house services, SBDCs often serve as the administrative center for other enterprise and support programs such as micro-credit co-ordination (see *Action 24: Micro-Credit*), job training programs, entrepreneurial training (see *Action 12: Skills Training Center*), business incubators (see *Action 11: Incubators*), and other programs to build capacity for business and co-operative development.

SBDCs do not necessarily only serve single-owner businesses, but can also support the development of co-operatives and other economic entities. By focusing on supporting a variety of different types of enterprises, SBDCs can serve a wider range of local economic development needs.

Municipalities, NGOs, international development agencies, business associations, or other organizations can set up SBDCs. Often, the initial capital investment for SBDCs is contributed by these organizations for the center's activities with the intent that the center will eventually become self-sufficient.

Making Small Business Centers work

Develop equitable service fees

Service fees help provide revenue to maintain the SBDC staff and update resources. Often it takes 5-10 years or longer for a SBDC to become fully self-sufficient; during this time, the SBDC requires external funding sources to maintain operations. As a result, it is important for a SBDC to determine for which services it can equitably charge fees. Service for existing businesses, such as new technology training, business techniques training or financing might be provided for a fee since the business is expected to financially benefit directly from the assistance. Other programs such as business plan writing, networking with sources of start-up capital and developing business directories might be provided with little or no charges, as most of the intended beneficiaries might have limited financial resources.

Utilize community members and local skills

In the early stages of small business development center operation, the personnel that provide the services for a SBDC might come from outside the community (e.g. business experts from government, international organizations, other outside organizations). As the SBDC becomes more established, however, more of the staff should come from the pool of expertise created in the community. This helps the long-term sustainability of the SBDC as both a local employer and instrument of knowledge transfer. One method to tap into local expertise is to involve businesses that have benefited from the local SBDC in the past who are willing to share their experiences and knowledge with other businesses.

Ensure Center accessibility

The success of a SBDC can be influenced by the physical location and design of the center. SBDCs have the potential to act as organizing facilities that serve as centers for numerous activities that support the development of small and medium-sized business in municipalities. Therefore, SBDCs should be accessible to a variety of users and be a place for community exchange and collaboration. It is important that SBDCs are visible to the community and located in places serviced frequently by public transit. In addition to operating in a suitable location, SBDCs should consider pursuing advertising and outreach activities to ensure that local businesses are aware of the helpful services they offer.

Match Center programs to local business needs

The primary goal of SBDCs is to assist small and medium-sized enterprises; therefore, the services offered by the SBDCs should respond to the needs of entrepreneurs in a local area. To ensure that the programs offered by the SBDC benefit its clients, research and analysis of the local economic climate should be conducted to inform these programs (see *Step 3: Situation Assessment Tools* in **The ToolKit**). A SBDC's programs should be tailored

towards the economic situation of a local area and its LED objectives. In *Case Study 28* below, a business development center focused its programs on encouraging enterprises that diversified the local economy, which was becoming dominated by oil and gas.

Community Benefits

- ❑ Improved organizational capacity
A SBDC pools limited resources to focus towards the development of small and medium-sized enterprises in communities.

- ❑ Builds capacity of new enterprises
Through business plan development support, financial assistance and management training, SBDCs build capacity for new enterprise development, which improves their success rate.
- ❑ Supports existing enterprises
SBDCs help existing businesses improve their operations through training in new technology, management, business organization and marketing.
- ❑ Facilitates an exchange of ideas
SBDCs provide a forum to talk about business ethics and practices that benefit the larger community.

Obstacles and Challenges

- ❑ Exclusivity
Small Business Development Centers not owned by the community can become exclusive places for certain groups, rather than outreach to new entrepreneurs. Involving public partners in the development and operation of a SBDC can diminish the potential for exclusivity.
- ❑ Failure to specifically address inequality or poverty reduction
Business development alone will not ensure equitable and sustainable economic development and should be coupled with other measures to address economic development from a more holistic perspective.
- ❑ Too few resources
Small Business Development Centers might find that they are overextended with more demand for services than they can offer. Continual monitoring of programs can help SBDC staff determine how programs can be streamlined to best meet the needs of their clients (see Step 9: Monitor and Evaluate in The Manual).

Case Study 28: Business Development Center, Atyrau, Kazakhstan

In 1999, UNDP helped establish a Business Development Center (BDC) in Atyrau, Kazakhstan, a city on the coast of the Caspian Sea. The Atyrau Business Development Center project was initiated in response to a growing demand for improved access to social services and opportunities within the local population for self-employment. The Center helps build capacity and diversify small and medium-sized enterprise development in a local economy increasingly dominated by the oil and gas industry. The BDC seeks to

- ❑ Enhance capacity for small and medium enterprises (SMEs) in Atyrau;
- ❑ Provide business advisory services for entrepreneurs;
- ❑ Identify eligible projects and facilitate financial assistance from donor programs operating in Atyrau;
- ❑ Operate micro-lending operations; and
- ❑ Facilitate public/private partnerships.

The BDC has served as a focal point for international donors focused on small and medium-sized enterprises. Currently, the bulk of programs and staff are financed and supported by the UN Development Programme, although the long-term goal is for the Center is to become self-sufficient by 2004 and continue to work without UNDP assistance.

To date, the BDC has

- ❑ Established business consulting services, with its competent project staff that has become an important part of Atyrau business development infrastructure;
- ❑ Provided more than 980 client consultations and helped develop more than 239 business plans, 71 of which are worth US\$2 million and are already approved for financing;
- ❑ Helped create 500 new jobs through new business start-ups;
- ❑ Established a new local NGO “Business Contact” to allow continuation of activities beyond the initial UNDP supported start-up; and
- ❑ Published an Atyrau Business Directory and several publications on entrepreneurship and financial management.

In the future, the BDC seeks to expand its project outreach to include neighboring regions and to develop a business incubator in Atyrau.

Further Information:

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Case Study 29: A Regional Business Development Center, Nueva Viscaya, Mexico

Nueva Viscaya is a sparsely populated region of Mexico, comprised of 21 municipalities. The region's primary industries collapsed in the early 1990s when prices for metal and lumber fell. Subsequently, smaller sectors declined, leaving the region in an economic crisis. In the mid 1990s, entrepreneurs in Nueva Viscaya led a community response to the crisis, leading to the development of a regional strategy for economic development. A primary component of the strategy was a partnership with the Autonomous University of Chihuahua, located in the principal city of Parral. The University worked with local entrepreneurs to initiate the Centro de Investigación del Desarrollo Económico y Tecnológico (CIDEyT), a low-budget business development center.

CIDEyT offers non-financial services focused on low-cost business services and human resources/training to new and developing businesses. Non-financial services have become relevant in the Mexican context, in part because unusually high interest rates have effectively barred expansion via credit for most micro, small and medium firms. CIDEyT is located in Parral, and is accessible to firms in the region. A large part of CIDEyT success, however, has been their programs where associates have gone out into the business community and provided services offsite. The programs CIDEyT offers include the following:

- Initial diagnostic analysis of firm needs and their market potential;
- Strategic planning for businesses;
- Technology management;
- Financial management;
- Market studies;
- Design assistance for LED publications; and
- Skills training courses.

In its first year, CIDEyT recorded a net job creation of 600 jobs and over 900 firms served. Sixty of these firms have developed strategic plans with assistance from the center. It is CIDEyT's five-year plan to assist in the net job creation of 3,000 new jobs and continue offering non-financial services.

Source:

Mazza, Jacqueline and Manuel Parga Muñoz.

A Regional Strategy for Business Growth through Non-Financial Services: the Case of Nueva Viscaya, Mexico

Further Information:

ILO

<http://www.ilo.org/public/english/employment/ent/papers/nueva26.htm>

Resource Links

United Nations Industrial Organization Business Advisory Center Web site
<http://www.unido.org/en/doc/4197>

Jamaica Business Development
Center 14 Camp Road, Kingston 4 Tel: 876-928-5161-5 Fax: 876-928-8628 Visit: <http://www.jbdc.net/>

Sri Lanka Business Development Center - <http://www.lanka.net/slbdc>

Physical revitalization, infrastructure and land planning

Action 15. Physical Infrastructure investment

Related Actions: Simple Upgrading of Local Business Areas/Streetscape Enhancement; Incubators; Skills Training Center; Small Business Development Centers; Town Center/Business Areas Enhancement; Sustainable Tourism Development; Urban-rural Linkages

Summary

Investments in physical or “hard” infrastructure projects are done to improve the built environment. These projects are often done to improve economic efficiency (e.g. transportation) and/or quality of life (e.g. water, sewer, power), which make the local area more livable and subsequently, more attractive for business retention, expansion and attraction. Poor physical surroundings and a lack of infrastructure often have a negative impact on a city or town’s ability to develop economically.

Problems with infrastructure include a lack of access to potable water, poor electricity supply, limited solid waste management, poor roads, limited public transportation, run-down commercial buildings, poor quality housing and slums. Pollution often goes hand-in-hand with poor infrastructure and is responsible for related public health problems. In cases where poverty dominates, basic infrastructure might be required to meet basic human needs before economic development can proceed.

Physical revitalization does not necessarily have to involve large, expensive mega-projects (e.g. putting in freeways), but might start at a more manageable scale such as beautification schemes (e.g. a pocket park on unused land), sidewalk paving using local labor, or individual building restoration (see *Action 7: Simple Upgrading of Local Business Areas / Streetscape Enhancement*). In places where municipalities do not have the resources to address infrastructure problems, public-private partnerships can often provide solutions to physical upgrades. Starting out small also allows a municipality to gain experience in infrastructure investment and upgrades, which will be valuable when moving to larger projects. Typical projects and programs include:

- ❑ Building or improving key access roads;
- ❑ Improving and expanding the telecommunications systems;
- ❑ Improving the railway for passenger and goods services;
- ❑ Developing, improving and/or expanding the local airport;
- ❑ Developing, improving and/or expanding the local port;
- ❑ Developing, improving and/or expanding industrial sites and buildings; this could include anything from planting a few trees to

- comprehensive landscaping or building entire new science parks;
- ❑ Developing, improving and/or expanding commercial sites and buildings (for shops and offices);
- ❑ Increasing the availability of industrial and potable water;
- ❑ Improving and/or expanding the sewage disposal system;
- ❑ Upgrading out-of-date or abandoned industrial premises;
- ❑ Improving and expanding the energy systems; and
- ❑ Environmental enhancements.

Making Physical Infrastructure Investment Work

Analyze the local area

Physical infrastructure investment often involves expensive projects that can significantly impact a local area, positively and negatively. A complete analysis is required before implementing these projects. Analysis needs to be integrated with land-use planning and a complete impact assessment should be conducted from a technical, social and environmental perspective. Benefits can then be compounded and negative impacts avoided, mitigated, and in some cases, compensated. In the **Manual**, Step 3: *Situation Analysis* provides a good opportunity to study the local economy.

Link projects to public health and safety

Physical revitalization is often more successful when combined with other community improvement activities; for example, if part of a city has become run-down due to crime, then safety improvement must accompany building restoration. Other possible linkages include combining storm water management with the creation of park and recreation space or urban food production.

Minimize waste

Transparent and accountable tendering processes, and reliable construction firms ensure that the work contracted for is done with minimal waste.

Explore public-private partnerships (see Action 22: Partnerships)

Public-private partnerships can provide new avenues of financing infrastructure improvements and revitalization projects. For example, local businesses might be willing to get together to invest in street beautification (street cleanup, tree planting, building façade improvement) when they realize that an improved physical environment will attract more customers, and that they can accomplish much more working together than as individuals. Depending on the type and location of the infrastructure, it can be constructed in relatively small contract packages, using local companies and also in partnership with local communities.

Encourage community participation

Community involvement can help ensure that the project is being done for the benefit of the community, and is not being used as an excuse for slum clearance, or pushing out long-time residents. If local communities can participate in the planning, management and implementation of the improvements, then their chances of avoiding negative effects such as slum clearances are enhanced and poverty reduction immediately addressed in terms of employment, combined with a better living and working environment.

Technological choice

The choice of technology in implementing projects should be considered in the context of the local area. Infrastructure is not only a product that can improve the working and living environment, it also has a huge potential for employment in itself. For countries with high un/under-employment and limited capital, less costly options that utilize local labor might be more appropriate. The added advantage of including discussions on technology choice is that at least twice the amount of employment can be created, while quality is assured and costs are likely reduced.

Community Benefits

- ❑ **Improves liveability**
Improved infrastructure and physical revitalization improves the livability of an area for local residents. Infrastructure can improve freedom of movement (e.g. roads, ports, railway), improve health (e.g., potable water) and improve general welfare (available and affordable electricity). Further, it can attract additional investment and create jobs. Good infrastructure and pleasant living environments can also attract tourists and foreign investment.
- ❑ **Fosters job creation and provides an economic stimulus**
Infrastructure is normally targeted at improving economic efficiency and opportunities. Jobs are created both through hiring local people for public works projects, and through the establishment of local businesses in revitalized areas.
- ❑ **Improves welfare of the poor**
As long as infrastructure development is not strictly intended for the business community, and takes into account some of the structural constraints to poverty, it can significantly improve the lives and well being of the poor from both economic and non-economic benefits.

Obstacles and Challenges

- ❑ **Developing strong partnerships**

Physical investment can be impeded in communities where working partnerships do not exist between stakeholders, particularly between the public and private sector.
- ❑ **Access to Financial Capital**

Physical infrastructure investment requires access to reliable sources of financial capital, even though expenses can be reduced through sound financial planning.
- ❑ **Expensive and subject to corruption**

Infrastructure investment can often be very expensive and therefore, provide opportunities for possible kickbacks to project contractors and organizers. At the very least, there is a tendency for cost overruns in large, poorly managed public infrastructure projects.
- ❑ **Can be very destructive to urban liveability and communities**

As many cities in industrialized economies experienced in the 1950s and 1960s, urban renewal can have devastating effects on local communities if the approach taken is to create large infrastructure projects that cause wholesale destruction of old neighborhoods, loss of heritage and displacement of residents. Smaller projects can often contribute considerably to urban renewal, while avoiding some of the pitfalls of large-scale urban renewal.
- ❑ **Isolated development**

A significant challenge of physical infrastructure revitalization is integrating infrastructure projects into the land and community development-planning framework.
- ❑ **No impact assessment**

Even if the project is integrated, it still might be unnecessary, or expensive social, environmental and engineering costs might be incurred without proper impact assessment.
- ❑ **Ignoring the needs of the poor**

Poor and marginalized citizens are often displaced by major infrastructure projects, or their communities are the most negatively impacted because they do not have the capacity or power to have their issues recognized.

Case Study 30: The Kingston Restoration Company, Kingston, Jamaica

The Kingston Restoration Company (KRC) was established in 1983 as “a private company with a public mission.” Initially, it concentrated on urban renewal projects in Kingston’s downtown, an area that had been devastated by riots and economic decline. Over the years, many buildings had been destroyed by fire, abandoned and many businesses had moved away. The KRC’s first major project was the Inner Kingston Development Project, funded partly by USAID (US\$6.9 million) and partly through private funds (US \$10 million). The goal was to rehabilitate space in Inner Kingston for light manufacturing and mixed commercial use, with the expectation that private investment and job creation would follow.

To date, private investment is now 3.75 times as high as the KRC’s, land values have increased 100per cent, 6,234 jobs have been created, 166,000 sq. ft [15,420 sq. m.] of industrial space created, 174,000 sq. ft [16,165 sq. m.] of commercial space created and façade improvements have been made on main thoroughfares. Grants were used to pay for repaving, building benches, planting trees and façade improvement of buildings, creating a more appealing environment to attract more customers to the area. Local merchants also contributed funds to façade improvement.

In addition to several non-infrastructure-related projects, other projects include the restoration of a derelict, turn-of-the-century factory complex called the Knitting Mills. After renovating the buildings and obtaining a long-term lease for the property, KRC was able to sell the building for +15per cent more to a private company that now rents out the building to tenants. They have done this with several other buildings, contributing to both economic revitalization and heritage preservation.

The KRC has also established a Restoration Grants Program that helps small business owners and owners of small real estate parcels restore their own properties. The program reimburses 20per cent of the cost for general renovation, and 50per cent for façade renovation. If the building is particularly historic, 25per cent of the cost of renovation will be reimbursed. So far, 57 buildings have taken advantage of the program.

These kinds of initiatives are helping to restore Kingston’s reputation amongst tourists as well. Tour books aimed at the North American market once warned people away from Kingston because of concerns over crime, but now say that Kingston appears to be on the edge of a huge revitalization. There is even some discussion of the city again becoming a port-of-call for cruise ships, which had stopped coming to Kingston because of the poor reputation of the city.

Further Information:

www.kingstonrestoration.com

Kingston Restoration Company Ltd.

e-mail : krc@infochan.com

Tel: 876 924 9434 or 876 922 3126-7 / Fax: 876 922 0054

Case Study 31: Pavement Improvement Project, Tunuyán City, Argentina

Tunuyán City, Argentina, population 42,000, suffered from a very poor network of roads and limited sewage and water infrastructure. Of the city's 568 streets, 371 were unpaved and approximately 50 per cent of the paved streets were in very poor condition.

With a loan from the Inter-American Bank of Development (IDB), the municipality initiated a public works program to pave earth streets. The project's goals were to improve residents' quality of life, decrease flooding by improving storm water management, decrease pollution from dust, decrease costs for maintaining vehicles, minimize costs to the municipality for maintaining earth roads and improve transportation links in the city. Part of the project also included extending gas and water infrastructure to neighborhoods in conjunction with street paving.

As a result of this project, numerous local jobs were created through the construction process, transportation linkages were improved and economic opportunities spread throughout the city with the extension of gas and water lines.

In addition to improving local livability, the project improved the municipal government's standing in the eyes of local residents, improved social and class relations and increased property values in the newly serviced areas of the city.

Further Information:

<http://www.bestpractices.com>

Resource Links

More information is available from ILO
<http://www.ilo.org/eiip>.

The World Bank — Infrastructure
1818 H Street, N.W.
Washington, DC 20433 U.S.A.
tel: (202) 473-1000 fax: (202) 477-6391
<http://www.worldbank.org/infrastructure/>

Action 16. Clusters

Related Actions: Policy and Regulation; Marketing; Incubators; Physical Infrastructure Investment; (Eco) Industrial/Business/Science Parks; Co-operatives, Partnerships; Institutional Co-operation Mechanisms

Summary

Clustering refers to firms engaged in similar or related economic activities located in one area. Clustering can help firms of all sizes take advantage of economies of scale (the economic benefits that can accrue to increased scale of production in a given economic activity, in such areas as transportation, research, marketing) and the recruitment of highly skilled labor. Moreover, a cluster can help provide necessary infrastructure and support services to businesses; these needs are easier to fulfill collectively, when all of the firms in a cluster have similar or related functions.

Commodity-based clustering is common in rural areas (e.g., food production), while sectoral clustering in manufacturing or retail might be more common in urban areas. Traditional markets often operate as clusters, with producers of similar goods and crafts (e.g., goldsmiths, tailors) locating near one another.

The relationships between firms in a cluster can vary, and firms might work in collaboration. Some clusters operate as horizontally integrated production lines, meaning that firms located near one another handle different stages of production. For example, see *Case Study 32*, which examines craft and industrial villages (CIVs) in Vietnam. A cluster will often include pre-production through to post-production activities. It might also create spin-off benefits by creating a market for the support services and related industries to the industries that a cluster might attract. For example, an automotive cluster might be a good place for repair shops to locate.

Clustering of economic activities in one area can be a very effective way to encourage enterprise development and local economic growth, provided the cluster is appropriate to local conditions and takes local skills and market opportunities into account. Clustering can often help address poverty reduction; an example is *Case Study 34*, examining coconut clustering in Indonesia.

Many successful clusters have developed naturally over time in response to historic and market conditions, but others have been encouraged to grow through favorable government policies and support. Possibly the most famous example of a cluster is Silicon Valley in California, US., a major center in the computer hardware and software industry.

Making Clusters work

Develop policies to strengthen clusters

Cluster development can be encouraged and strengthened through tax regulations and incentives, zoning regulations and other locational advantages that can typically be emphasized through policies.

Understand and build on pre-existing market conditions and opportunities

It is important to understand and build on a local area's competitive advantages, rather than trying to copy industries that have been successful elsewhere. For example, many cities in Asia and North America regard clustering high-tech industries as the key to economic growth, even though they might not necessarily have the skilled labor or innovative businesses necessary to support a successful high-tech industry. In seeking to copy the success of high-tech clusters elsewhere, these cities might be ignoring industries that could be successfully supported and developed.

Throughout the LED process, there are several opportunities to identify market conditions and the industries that are most likely to succeed in the local or regional economy, particularly when an assessment of the local economy is undertaken (see *Step 3: Situation Analysis* in **The Manual** and *Step 3* in the **ToolKit**).

Develop a regional economic strategy that strengthens local production

LED stakeholders should identify and understand the long-term growth patterns projected for the area where the cluster will be developed because regional economic development strategies can help avoid potentially negative internal competition between closely related businesses. A regional strategy can identify how complimentary industries might take advantage of their proximity to one another. Such planning will help provide the required capacity for different organizations to work together effectively.

Diversify cluster businesses and industries

Diversification can be achieved by producing different or complementary products or services in a cluster. This can often be done with the same raw materials and capital that the cluster uses in its primary activities. Diversification will help prevent the cluster from becoming overspecialized, and hence, sensitive to minor economic fluctuations and national/international competition. At the same time, it is important to maintain a cluster's general specialization (e.g., high tech).

Support the cluster with basic infrastructure and facilities

A successful cluster depends on good internal and external connections and transportation links to facilitate efficient goods movement. Service industries are also better supported by good infrastructure (e.g. roads, water, sewage, etc.).

Community Benefits

- ❑ Supports a creative and entrepreneurial business environment that fosters collaboration and innovation

When businesses are in a cluster, many positive and unpredictable benefits can accrue from their networking and collaboration. Businesses can work together on product development, distribution, marketing, research and financing, among other things. Also, because of their collective strength, they can lobby for policy changes from the government more effectively than they would be able to do individually.

- ❑ **Attracts skilled labor to the cluster's community**
Labor is always attracted to areas where there is a concentration of businesses in their particular field. Clusters typically offer employment in a particular industry and related industries, which attracts skilled labor appropriate for those activities.
- ❑ **Achieves economies of scale**
Clustering can help small producers achieve economies of scale for such things as transportation or export contracts. Clusters can also help firms save transportation costs, develop appropriate infrastructure and enjoy a variety of other potential benefits. In many cases, these benefits will help reduce poverty.

Obstacles and Challenges

- ❑ **Negative internal competition**
Intense competition between producers can occur when there is little diversification within a cluster, and when producers are all trying to offer the same product or service. Small producers and/or cottage industries can be particularly vulnerable.
- ❑ **Lack of diversification**
A diversified cluster is inherently stronger than one that is not. This is particularly true for commodity clusters, due to the volatile nature of world commodity prices.
- ❑ **Using appropriate policies**
Zoning, tax incentives or other policy measures might be used to encourage cluster development. These policies should be developed with concern not only for the cluster itself, but also for the wider community. Some regulations might disadvantage low-income residents of a community and harm the informal sector, particularly where certain businesses and economic activities are specifically favored for expansion. This can be harmful in many ways, including the fact that the informal economy might contribute to the success of the cluster in the community. For further discussion of the informal economy, see Action 28: Support for the Informal Sector.

- ❑ Reluctance or inability to change
 - In many cases, firms in a cluster can be unable or unwilling to move into new, industries, even though this might be worthwhile, because they are entrenched in the economic activities that they have specialized in for a long time.
- ❑ Ignoring market conditions or local advantages to pursue fashionable economic activities
 - Such challenges are often seen in some high-technology industrial areas that are either empty, or have turned into what has been referred to as “high-tech related sweatshops.” Such clusters actually become areas for product assembly that relies on a large supply of inexpensive labor.

Case Study 32: Craft and Industrial Villages, Vietnam

Craft and industrial villages (CIVs) in Vietnam contributed an estimated 41per cent of the country’s total GDP and employed 64per cent of the industrial workforce in 1999, according to the World Bank. CIVs typically develop into clusters when an entire village focuses on the production of a particular product. There are many types of CIVs in Vietnam, including those that produce daily goods and tools, such as scissors, knives, baskets and mats, and those that produce cultural and decorative goods, such as inlaid wooden furniture, statuary, embroidery and jewelry. Another broad category of CIVs produces finished industrial goods. CIVs often develop an internal horizontal production process with different villagers responsible for different stages of production. Other types of CIVs develop food processing and construction material industries or recycling villages.

As Vietnam reintegrates into the world economy, there has been a huge upsurge in demand for traditional arts and crafts products, particularly because similar goods are no longer produced in much of the rest of the world. As a result, CIV growth has been impressive. In Ha Tay, a province near Hanoi in northern Vietnam, the value of output for the province’s 88 craft villages grew by 17per cent in 1995 and 26per cent in 1996 and employed 80,000 people. The CIVs accounted for 90per cent of the value of the province’s non-state industrial output. Bac Ninh province’s 58 craft villages employed 34,000 people in 1997 and accounted for 74per cent of the value of non-state industry.

Not all of the industries are traditional ones. Out of about 500 craft villages located in the Red River Delta, half have developed their specialization in the last 20 years. For example, the village of Minh Khai, outside of Hanoi, has developed a strong plastic recycling industry. In 1999, there were about 340 workshops in the village engaged in the supply, processing and trade of water plastic, and the manufacturing of plastic film and bags.

Clustering has been integral for the development of CIVs in Vietnam. Another key to their success is that they are all located near Vietnam’s major

Case Study 32: Craft and Industrial Villages, Vietnam (Continued)

cities or on transportation routes linking them to urban centers, allowing for the distribution of their products within Vietnam and abroad. Specialization between villages helps develop external economies of scale by bringing together the economic activities of individual households.

Further Information:

World Bank. Vietnam: Preparing for Take-off? Hanoi, 1999:

www.worldbank.org.vn/data_pub/reports/Bank1/rep6/pfto001.htm

Case Study 33: Agrifood Biotech Cluster, Saskatoon, Canada

The agrifood/biotech cluster in Saskatoon is one of the most well-known biotechnology clusters in the world. It has been in operation for over 20 years as a center for plant and animal genome research. Four biotech research centers are located near the university, including the University of Saskatchewan's College of Agriculture, Saskatchewan Research Centre (SRC), the Western College of Veterinary Medicine (WCVM), Agriculture and AgriFood Canada (AAFC) and National Research Council Plant Biotechnology Centre (NRC-PBC). At the heart of the cluster is the Innovation Place research park, launched in 1981. As of 2002, the park was home to 115 companies and 2,000 employees. The proximity of the park to the University of Saskatchewan and the other research institutions facilitates knowledge exchange within the cluster. The park has a corporate business structure, and government regulations have helped its expansion. The park is located within the cluster and plays an extremely important role in information exchange.

The cluster has been growing steadily in recent years and changing rapidly. It is involved in several projects in animal and plant genomics, which have the potential to develop into various value-added products. In 2002, the NRC-PBI recently developed a new industry partnership incubator facility (NRC-PBI Industry Partnership Wing). Also, AAFC opened only six years ago (1998), demonstrating the growth of the cluster. The cluster has allowed a strong biotech labor pool to be developed in the region, and all of the businesses and government agencies in it enjoy a wide variety of economies of scale. The ongoing development of the cluster is being directed as part of a five-year strategic plan created by the National Research Council, designed to promote the development of technology clusters.

Sources:

National Research Council, Canada

<http://pbi-ibp.nrc-cnrc.gc.ca/en/bdo/saskatoon.htm>

<http://www.pbi-ibp.nrc-cnrc.gc.ca/en/bulletin/2002issue3/index.htm>

The Competitiveness Institute

<http://www.competitiveness.org/article/articleview/87/1/8/>

Case Study 34: Coconut Cluster, Sulawesi, Indonesia

North Sulawesi, the northern portion of Sulawesi island, is one of the biggest coconut producers in Indonesia. Coconuts account for 70per cent of North Sulawesi's plantation crops, and half of the economically active population works within the cluster. Also, small-scale producers with two hectares (five acres) of land or less account for 96per cent of the plantations. Income from coconuts accounted for between 40 and 80per cent of household income in 1998, making it desirable for LED stakeholders in Indonesia to promote cluster development in this industry.

The development of a coconut cluster in North Sulawesi was undertaken as part of the Local Economic Development Programme of Indonesia, named *Kemitraan Bagi Pengembangan Ekonomi (KPEL)*. Some of the factors that contributed to the development of the coconut cluster were the following:

- ❑ Market demand, especially export market potential;
- ❑ Opportunities to introduce derivative products (e.g. spin-off products, such as food products derived from coconut);
- ❑ Potential to provide income for low-income households;
- ❑ Potential for economic growth (e.g. the multiplier effect of development); and
- ❑ Potential to develop a common vision among the breadth of people involved in the cluster. KPEL adopted a multi-pronged strategy to develop the cluster, namely to
 - Create forward linkages for developing derivative products;
 - Empower producers;
 - Share market information;
 - Diversify; and
 - Mobilize government support.

The main benefits of KPEL are:

- ❑ Facilitating partnerships between business and producers;
- ❑ Adding value at the point of production, through technical support and the development of derivative products; and
- ❑ Increasing the household income of producers.

Further Information:

Partnership for Local Economic Development (KPEL): Experiences and Lessons for Poverty Alleviation.

<http://www.kpel.or.id>

PARUL-KPEL

<http://www.parul-led.or.id/>

Resource Links

Clusters Institute for Strategy and Competitiveness
<http://www.isc.hbs.edu/>

The Competitiveness Institute
www.competitiveness.org

The World Bank Group
<http://www.worldbank.org/urban/led/helmsing.html>

Action 17. (Eco) Industrial / Business / Science Parks

Related Actions: Policy and Regulation; Stakeholder Implementation Groups; Simple Upgrading of Local Business Areas; Incubators; Physical Infrastructure Investment; Clusters; Co-operatives; Partnerships; Institutional Co-operation Mechanisms; Foreign Direct Investment; Local Inward Investment

Summary

Industrial/Business/Science/Eco-parks are areas of land specifically set aside and/or zoned for particular uses or activities. Parks are very similar to clusters, but are often defined based on their infrastructure and their use of land more than clusters are.

Developing parks is usually a partnership endeavor between the public and private sectors, whereby government and private businesses invest in parks for specific purposes, such as providing local jobs, developing certain industries and attracting foreign and local inward investment. Parks have the potential to co-ordinate actions among businesses in a cost-effective manner, but they also require extensive planning and can pose significant financial risks to stakeholders, particularly in the short-term.

Among the different types of parks, eco-industrial parks (EIPs) have received increased attention over the last several years because they intentionally try to attract businesses that can work together to improve their environmental and economic performance. The explicit goal of all businesses in an EIP is to increase their efficiency in their use of raw materials, reduce outputs of waste, conserve energy and water resources and reduce transportation requirements. In many cases, EIPs are designed on the basis of industrial ecology, a system whereby the wastes of various companies will be usable in the production activities of other companies. Case Study 6 examines a well-known EIP in Kalundborg, Denmark, based on waste and material exchange.

Making Industrial/Business/Science/Eco Parks work

Understand the local economy

To create a long-term plan for a park, stakeholders should understand the characteristics of the local economy, so that they can identify why certain businesses and/or activities should locate near each other. *Step 3* in the **Manual**, Situation Analysis, provides an opportunity to analyze the local economy, and *Step 3* of the **Toolkit** outlines some methods for doing so.

Locate in an appropriate area

Location is an important aspect of successful park development. Parks require access to a wide variety of goods, services, transportation links and facilities. Many

parks tend to situate on the periphery of urban areas, where they can have open space, access to the urban area and transportation links, often by land and sea.

Provide incentives for investors

Incentives could be offered as part of a well- thought-out package to attract businesses to invest and locate in a park. Tax rebates, loan systems and other financial measures are possible and should be considered, provided that they are economically feasible and appropriate in other regards.

Use zoning for park development

Zoning is an important way to make certain areas appropriate for certain uses. For example, *Case Study 4* discusses Haidian Science Park in Beijing, which was created partially through governmental zoning for manufacturing and commercial uses.

Understand market and technical linkages

For a park to develop successfully, stakeholders should understand what businesses work well together and why, taking into account the advantages and resources of the local economy. This is relevant for all types of parks, and often requires extensive knowledge of economic and technical links. For example, in the Kalundborg EIP in Denmark, agreements were made between an oil refinery and a power station to exchange wastes and production by-products, because these businesses successfully identified how to profitably exchange their wastes (see *Case Study 6*).

Develop a long-term vision

The economic, social and/or environmental benefits of a park development might take a long time to materialize; therefore, it is important for LED stakeholders to have a long-term vision. What are the objectives of the park? Why are certain businesses and/or activities included in the park? Many of these issues can be addressed in *Step One* through *Step Four* in the **Manual (Visioning)**.

Stakeholder agreements

Creating a stakeholder implementation group can be helpful for co-ordinating actions between different stakeholders in a park development project (see *Action 2: Stakeholder Implementation Groups*, and *Action 22: Partnerships*). Also, stakeholders should draft a memorandum of understanding (MOU) and related agreements to help clarify their responsibilities.

Consider options for integrating eco-industrial concepts

There are several different approaches available for lowering the environmental impacts of parks, which can be a significant economic benefit. For

example, Case Study 5 describes Cape Charles Sustainable Technology Park in Virginia, US, which contains a green building designed to minimize electricity and water use. With environmental technologies, conservation programs, wastes and materials exchange systems and other choices, parks have several options.

Community Benefits

- ❑ **Local job creation**

Parks can help create local employment. In addition to direct employment, some of these jobs will be created for people to help co-ordinate the interactions of the businesses located with the park; some will be created through spin-off effects in related industries from the main industries working in the park.
- ❑ **Strengthens partnerships**

By seeking to integrate the activities of local businesses in a mutually beneficial manner, parks can help to develop and strengthen partnerships between LED stakeholders. In some cases, specific activities required in the park (e.g., waste collection) might be efficiently co-ordinated by groups of businesses working together. Also, information-sharing might become easier.
- ❑ **Increased income for the community**

Parks have the potential to generate or retain income in a wide variety of ways, largely through co-ordinated actions and economies of scale, because businesses might enjoy reduced operating costs, lower infrastructure provision costs and easier access to skilled labor. Consequently, successful parks will also tend to attract investment more easily.
- ❑ **Environmentally sound and resource efficient**

Most parks, and EIPS in particular, can help reduce production costs by using resources and wastes more efficiently. Businesses will also benefit from increased proximity to the resources they require. In turn, local businesses might be able to produce more competitive products.

Obstacles and Challenges

- ❑ **Risk**

Developing services ahead of demand can be risky because of the uncertainty of future market trends and the high level of collaboration and trust required among different businesses, many of who might have never

considered working together previously. Also, some businesses might become overly dependent on other businesses.

- ❑ **Technical expertise**

Technical expertise is required to find effective ways to develop parks. Not all businesses might have the appropriate information required to make appropriate decisions, however, and the linkages created in one park might not be replicable in another.
- ❑ **Developing a viable tax base**

Park development is often predicated on providing infrastructure and more efficient service delivery to businesses, with reduced or equivalent tax rates. This might not be financially possible in the long run, even though tax incentives are often used to attract businesses. These and other incentives should be offered when they can be feasibly provided.
- ❑ **Relocating businesses from other areas**

In some cases, it will appear that parks are generating employment, when in fact, businesses are simply relocating from nearby urban areas to take advantage of potential tax breaks, transportation links and other advantages. New employment might not really be created, however, and nearby urban and/or rural economies might be losing important businesses.
- ❑ **Trust and maintaining motivation**

For stakeholders to enter into any kind of collaborative process, they must be able to trust each other and believe that the benefits of collective action will be worthwhile, given the time, energy, financing and risks involved in creating a park. This is particularly significant because the economic potential of a park might take a long time to be realized.

One way to maintain the trust of stakeholders is to provide them with an appraisal of the risks involved, which will hopefully be understood after a Situation Analysis has been undertaken (Stage 3, The Manual). Another strategy is to draft agreements for collaboration, as mentioned previously.

Case Study 35: Haidian High-tech Zone, Beijing, China

Haidian is a high-tech science park in Beijing. It is a major center for software development, IT research and the production of computer parts. This previously agricultural area boasts 6,700 high-tech enterprises and generated revenues of US\$17.8 billion in 2000. The transformation of the area was directed by government policy. It was a suitable place for high-tech research because of the high number of universities and research institutes in the area — Haidian has 68 universities and 213 research Centers. Several companies were established in the 1980s, such as Beijing University's Fangzhen Jituan in 1986 and Legend Computers, now one of China's largest companies.

Spurred on by strategic municipal tax breaks, development increased dramatically in the 1990s. With the exception of Legend Computers, most businesses in Haidian tend to be small or medium-sized enterprises. Their success appears to be a result of clustering, which allows for a healthy competitive environment. Enterprises have been able to learn management techniques from one another and subsequently improve their quality and service. Although companies in the cluster are profitable, they rarely make enough money to expand rapidly. This has meant that no one company was able to dominate the market and force other smaller companies out of business. This appears to be partly a natural outcome of the market competition through clustering, but is also partly due to government policy, which prevented large multinationals from entering and dominating the market..

Further Information:

*Haidian Science Park A7, Baishiqiao Road, Haidian District, Beijing, China,
100081 Tel: +86 10 6891 5118 Fax: +86 10 6891 5214
<http://www.zhongguancun.com.cn/en/default.asp.htm>*

Case Study 36: Cape Charles Sustainable Technology Park, Cape Charles, United States of America

Located on Chesapeake Bay in Cape Charles, Virginia, US, Cape Charles Sustainable Technology Park has been under development since 1995. It is located within a Virginia Enterprise Free Zone, Foreign Trade Zone and a HUBzone (historically underutilized business zone), which allows substantial tax benefits for its businesses. Prior to the development of the park, the site was largely unused.

The park is designed to attract businesses that rank highly for their environmental performance. There is a point system for evaluating businesses that operate within it; companies are scored on the basis of economic, environmental and social criteria. All of the businesses in the park are actually located in Building One, the main building in the park. Designed as a green building, it is designed to minimize water and electricity use. Some design features include photovoltaic panels to produce solar power, indoor air-quality monitoring, skylights for natural lighting and porous pavers to reduce storm water runoff. In the future, new buildings in the park will be designed similarly to Building One.

Case Study 36. (Continued)

Aside from Building One, the grounds of the park are also designed to minimize environmental impact. The park is 50 acres [20.2 hectares] in size and 25 acres [10 hectares] are fully preserved for wetlands and wildlife. Storm water is collected and regularly filtered into constructed wetlands.

Further information:

Cape Charles Sustainable Technology Park

[http:// www.sustainablepark.com](http://www.sustainablepark.com)

Case Study 37: Industrial Ecology in Kalundborg, Denmark

The eco-industrial park in Kalundborg, Denmark is the most famous and influential example of applied industrial ecology in the world. Kalundborg is 75 miles [121 kilometers] from Copenhagen in western Denmark; since the 1970s, companies have discovered that they can save money and minimize wastes by creating transactions in which the wastes of one company are used by another company. In sum, a wide variety of energy and material exchange arrangements have been developed.

Originally, these relationships were intended to save money by seeking profitable uses for waste products, but the businesses in Kalundborg started to recognize and harness environmental benefits in the 1990s. The five main partners of the Kalundborg industrial park are

- ❑ Asnæs Power Station — coal-fired facility, with 1,500 megawatts capacity;
- ❑ Statoil Oil Refinery — An important petroleum producer in Denmark, with a capacity of 3.2 million tons per year;
- ❑ Gyproc — a plasterboard factory, making 14 million square meters [1.3 million square feet] of gypsum wallboard annually; and
- ❑ Novo Nordisk — an international biotechnological company with annual sales of more than \$2 billion [in US dollars?].

The City of Kalundborg supplies district heating to the 20,000 residents, and water to the homes and industries. Throughout the 1970s, these companies gradually made bilateral deals to exchange their wastes and production byproducts. Although a wide variety of transactions are currently in place, the most significant are between the Asnaes Power Station and the Statoil Oil Refinery. The power station provides steam to be used by the refinery, and the refinery provides fuel gas, treated wastewater and water for the power plant. The excess fuel supplied by the refinery substitutes for some of the coal that would otherwise be used by the power plant.

Further Information:

Indigo Development . 26 Blachford Court, Oakland, California, US 94611

Tel.: (510) 530-6521 Fax: (510) 530-7498

Resource Links

Industrial/Business/Science/Eco-Parks

Indigo Development <http://www.indigodev.com/>

RTI International www.rti.org

Smart Growth Online www.smartgrowth.org

The Sustainable Communities Network <http://www.sustainable.org/>

Action 18. Town center / business areas enhancement

Related Actions: Demonstration Projects; Simple Upgrading of Local Business Areas/Streetscape Enhancement; Marketing; Physical Infrastructure Investment; Development “Linking”; Sustainable Tourism Development

Summary

Town Center Enhancement is an array of actions designed to upgrade and enhance a town’s central business area to better support economic development. Town Center Enhancement recognizes the economic and symbolic importance of a vibrant town center for businesses and residents alike. A diverse and vibrant town center is a key to local area competitiveness and community pride.

A key aspect of Town Center Enhancement is to create a focus for economic development. This can be achieved in part by simple actions such as greening the streets of the local downtown, improving street signage or installing “branded” street furniture, where streetscape enhancements and other improvements carry a logo symbolizing the revitalization of the Town Center (see *Action 7: Simple Upgrading of Local Business Areas/Streetscape Enhancement*). Improving street furniture can also support another aspect of this action, which is to increase pedestrian access to the downtown business district and implement traffic-calming measures. Attracting more pedestrians to the downtown can also be accomplished by improving safety through better design, improving traffic management, increasing and improving street lighting and increasing police presence. These actions can support economic development by animating urban life and creating successful shopping and office districts that are well patronized.

An enhanced town center can also contribute to environmental goals such as reducing urban sprawl. By encouraging a dense, mixed-use of the downtown core, transit services might also be upgraded, further improving the attractiveness of the town center as a place to both live and work. As in all LED actions, it is important to incorporate the potential benefits of this action with other actions to achieve strategic results.

Making Town Center/business areas enhancement work

Understand trigger events

A Town Center’s physical decline is often an indicator of wider economic difficulties. This decline often becomes the catalyst for a new vision and LED plan. Understanding the causes that led to this decline will enable an effective Town Center enhancement project.

Consider a wide variety of alternatives

Enhancement can be done in a variety of ways, depending on what improvements are necessary these should be identified after an analysis of the local area has been completed (see *Step 3, Situation Analysis*, in **The Manual**). As discussed, some improvements might be necessary to improve safety or attractiveness, others to make public areas more accessible and accommodating. Once the needs for improvement are understood, it will be easier to identify necessary changes.

Involve all stakeholders (see Action 22: Partnerships)

Making town centers work requires co-operation among various downtown stakeholders including local government, transit agency, chamber of commerce, local business associations, local resident associations, local tourism bureau and in some cases, waterfront agencies (see *Step 2: Stakeholders and Participation* in **The Manual**). Often, the Town Center is the symbolic heart of a community; therefore, changes made to this area should reflect the goals and identity of this community to ensure a successful economic outcome.

Incremental enhancement

Town Center/Business Area Enhancement is a long-term action. Small projects undertaken early on can generate momentum and wider public participation in the project, which could lead to better LED results (see *Action 3: Demonstration Projects*). Another important aspect of this action is to implement adequate monitoring and evaluation to ensure enhancement efforts are maximizing LED benefits.

Create local employment

Town center enhancement has significant potential to create local jobs. To the extent possible, development contracts should be provided to local organizations. This would contribute beneficially to any local procurement campaign (see *Action 6: Local Procurement*).

Community Benefits

- ❑ Local job creation
Improving the Town Centers can attract new investment and new jobs to communities.
- ❑ Increased tax base
Town Center enhancements can increase the tax base in a number of ways. First, appropriate enhancements can attract more businesses to an area and improve the revenues of existing businesses. Second, physical enhancements can

increase the underlying value of the land, which, under most tax systems, increases the taxes derived from the lands. The increased tax revenue can be used to finance further town center enhancements or for other LED initiatives.

- ❑ Long-term plan of development
Well-planned and well-targeted Town Center enhancements that result in increased economic activity can provide a sustainable economic basis for more comprehensive urban renewal plans.
- ❑ Improve town center safety and ensure more equal gender access to economic space
Town Center enhancements, such as improved lighting and other CPTED (Crime Prevention Through Environmental Design) initiatives, can make areas feel safer, leading to an increased number of people using these areas. Animating streets can increase the perception of safety for all members in the community, particularly women. By designing town center enhancements with public safety in mind, women's access to these areas is improved, further enriching the economic base of the community. CPTED and related efforts can notably increase pedestrian safety. Please see the Resource Links for further information about CPTED.

Obstacles and Challenges

- ❑ Displacement of existing residents
The success of town center enhancement can have negative impacts on those who are already economically marginalized. Care must be taken to develop long-term mixed income housing in the town center. This is key to maintaining a vibrant and diverse cultural setting that propels further economic development.
- ❑ Displacement of existing businesses
Long-term economic viability requires some measure of stability. Thus, it is important to mitigate changes resulting from town center enhancement that might hurt existing businesses. For example, in the past, some town centers developed suburban-type malls in their core, which had negative impacts on existing merchants who could not participate in the mall. Notably, those most at risk could include economic actors in the informal economy, such as street vendors.
- ❑ Separating civic identity and corporate identity
Many town center enhancement projects are supported by large corporations seeking exposure. This phenomenon

can often be win-win, for example, in the renaming of sports centers and other civic venues. However, care must be taken to ensure town enhancement projects reflect the hopes and desires of the broader community to ensure long-term success.

❑ Financial costs

Getting a town enhancement project off the ground can not only require a lot of organization, but also a significant capital investment. In cases where funding is inadequate, it is important to target specific areas where immediate results can be generated to gather momentum, and funding, for broader enhancement actions.

❑ Consensus and collaboration

Seeking consensus among different stakeholders can be difficult to achieve and can impede the enhancement process, particularly where co-financing is necessary between different stakeholders in the public and private sectors.

❑ Professional expertise

In many cases, the financial resources necessary to carry out Town Center Enhancements go beyond what a municipality can fund in the short-term. Some localities, such as Suisen City, California (see Case Study 39, below), tapped financial markets by issuing municipal bonds to finance town center enhancement. This requires careful assessment of the financial implications of the proposed project, and also expert knowledge of debt and capital markets. Most often, this will require involving outside expertise in developing the project, which further adds to the cost and complexity of this action.

Case Study 38: Neighborhood Conservation Project, Mount Rainier, US

Citizens in Mount Rainier, Maryland launched a community-led LED project that focused on redeveloping the town center around a large intersection on Route 1, managed by the Maryland State Highway administration (MSHA). In addition to its economic objectives, the project incorporated environmental issues and social goals, which included reducing crime, creating a sense of place and alleviating local poverty issues.

Working with the City of Mount Rainier and the MSHA, citizens formed a task force responsible for identifying key aspects to be addressed by the plan, the scope of the plan, data collection and implementation and monitoring. (For specific advice on how to implement these, please refer to the **Manual, Modules 1 through 4.**)

By using a variety of community outreach techniques, including open houses, design charrettes(workshops), and newsletters, the citizen taskforce was able to develop widespread interest in the project and ensure consensus among the various stakeholders involved in the project. Stakeholders included local business groups, local government, local citizens and several state-wide agencies.

Lessons Learned

After project completion, the stakeholders agreed that the process provided significant learning and represented an improvement on past planning practices. Participants agreed that the process would have proceeded more smoothly had all affected stakeholders been included from the beginning. Success was finally achieved after a number of false starts, only by including all affected stakeholders and consulting outside expertise such as design artists to realize a true community vision.

The project has also resulted in several tangible benefits that continue to positively affect the local economic development of Mount Rainier, such as the following:

- ❑ Creation of a Town Center Zone and Urban Industrial Zone by Prince George's County;
- ❑ Creation of a Design Review committee by the City to evaluate site plans according to design guidelines established by the project;
- ❑ Adoption by the City of new sign regulations to improve aesthetics in all commercial areas;
- ❑ Establishment of a Commercial Development Management Association by local business owners;
- ❑ Several businesses have received loans from the Maryland Department of Housing and Community Development's Neighborhood Business Development Program;
- ❑ Mount Rainier has been named as one of five Gateway Arts

Case Study 38 (Continued)

- Districts in Maryland; and
- Recent results have included the expansion of the local food cooperative and the addition of several new businesses, including a dance studio, bookstore, café, and a Latino specialty market.

For More Information:

City Hall One Municipal Place Mount Rainier, Maryland, US 20712

Tel.: 301-985-6585 Fax: 301-985-6595 <http://www.mountrainiermd.org/>

Case Study 39: Suisun City, USA

Suisun City, population 27,000, is located between San Francisco and Sacramento. Since 1970, the population has grown by a factor of 10, with most of this new development occurring in a low-density, land-intensive, urban-sprawl pattern.

Along with the rapid growth in the newer areas of the town came a period of abandonment and disinvestment in the traditional town center of Suisun City, which is located next to a harbor. In 1982, the city's town planning department initiated a process of community involvement to address the growing urban decline in the town center, but by 1988, Suisun City ranked last in a survey of quality of life of Bay Area communities by the San Francisco Chronicle.

In 1989, a new effort at town center enhancement and LED was launched through a comprehensive engagement with local residents. Having established a vision, the town engaged in various partnerships with outside organizations and reformed its internal management structures to facilitate improved communication and knowledge-sharing within the municipal government. Having established a public vision for the project with the engagement of local residents, and making internal reforms to improve the efficiency of local government, the city issued US\$58 million dollars in tax-increment bonds to fund the downtown design project, purchase dilapidated waterfront property and develop new infrastructure to support the downtown vision. To ensure the repayment of the bonds, the tax increment used to support the bonds was extended to the entire community of Suisun City, not simply the downtown area under regeneration.

Moreover, to mitigate the financial risk of the bonds, the city had to work actively to find developers who would undertake the increased development risks associated with an innovative, though unproven, town enhancement model. Thus, the city created Enterprise Zone programs that included negotiable land acquisition terms for city-owned land, development and business license fee-waivers and other enticements to ensure the development of the new town center.

Case Study 39 (Continued)

The project has successfully reoriented development to the downtown waterfront area while simultaneously providing funds to help protect the natural wetlands that exist along the urban edge. Cultural projects such as a new City Hall and Theatre, accompanied by access to the waterfront and pedestrian zones, has attracted an influx of residents and shoppers to the area.

Further Information:

City of Suisun City

701 Civic Center Blvd.

Suisun, CA, US 94585

Tel: (707) 421-7300

Fax: (707) 421-7366

Website: <http://www.suisun.com/>

Resource Links

International CPTED Association

Mr. Barry Davidson

Executive Director

International CPTED Association

Box 13, Site 17 RR2

Strathmore AB T1P 1K5

Canada

<http://www.cpted.net/default.html>

The City of Vancouver

Gastown Heritage Management Plan

453 West 12th Avenue

Vancouver, BC, Canada V5Y 1V4

<http://www.city.vancouver.bc.ca/commsvcs/planning/heritage/gastown.htm>

planning@city.vancouver.bc.ca

Heritage Incentives for Gastown, Chinatown and Hastings Street

<http://www.city.vancouver.bc.ca/commsvcs/planning/heritage/incentives.htm>

planning@city.vancouver.bc.ca

Downtown Research and Development Center

28 West 25th Street, 8th Floor

New York, New York US 10010

<http://www.downtowndevelopment.com/>

Action 19. Development “Linking”

Related Actions: Stakeholder Implementation Groups; Research and Analysis; LED Publications; Marketing; Physical Infrastructure Investment; Town Center Enhancement; Partnerships

Summary

Development linking is the act of connecting profitable physical development with providing amenities or funds for community benefits. To facilitate development linking, local governments typically give permission to real estate developers to build in profitable areas on the basis that it is linked with investment in poorer neighborhoods. Development linking evolved from the limited success of large-scale urban redevelopment projects and is locally sensitive and market driven. It is meant as a temporary bridging action in the development, process which directs investment towards supporting LED objectives.

Development linking is used to provide community benefits and mitigate adverse impacts of new development. Impacts from new development can displace businesses and jobs in a locality and decrease affordable housing. Local governments employ development linking to mitigate these effects, in addition to creating opportunities for LED. Development linking can help to reduce poverty by ensuring new stocks of affordable housing are built, commercial space is available for small businesses and there are financial resources for community programs and amenities such as day cares.

Development linking exists in many forms. It can be imposed as a mandatory regulation for development approval or through ad hoc negotiations with local government, private developers and local citizen groups. Regardless of how development linking is administered, it is based on the concept that all parties receive benefits. Incentives that attract private developers to participate in development linking include project approval, permission to rezone land, permission to increase building density and public support of their project. In turn, private developers agree to provide a set amount of funds to support LED programs or to construct facilities decided upon by the local government and citizen groups. These facilities might consist of low-income housing, low-rent commercial space and educational facilities. In some cases, private developers pay fees to local governments, who then construct these facilities. Often, the fees a developer pays for facilities and community programs are called linkage fees.

Making Development “Linking” work

Determine locations that support profitable real estate development within a local government’s jurisdiction

Private developers are unlikely to recognize linkage fees and agreements to construct facilities as beneficial unless they are able to make a profit on their orig-

inal project. If a local area is competing to attract real estate development, it is doubtful a developer will choose to pursue a project in a location where it is required to engage in development linking, as opposed to an alternative location without development linking. Before a local government imposes development linking, it is useful to determine the areas within their jurisdiction that are profitable and highly desirable for real estate development. To determine this information, research and analysis of local market conditions is necessary (see *Step 3: Situation Analysis* in the **Manual** and *Action 4: Research and Analysis*). This information will help local governments determine if development linking is a viable option and locations where it is applicable.

Determine the most appropriate method for negotiating development linkage fees

In cities such as San Francisco (see *Case Study 41*), linkage fees are mandatory for certain types of development. This method of administering development linking requires a well-organized system for determining standardized fees for development. Regulation of linkage fees requires local government staff to financially analyze development projects to determine how much can equitably be extracted from the project. Local governments should also regulate for which areas the fees apply. In some cases, linkage fees apply to all development in a local area, with higher fees in more profitable sections.

Development linking can also be determined on a case-by-case basis through discussions between representatives from local government, private developers and citizen groups. When this method is used, it is important to ensure that negotiations between city-staff and developers are transparent. Most approaches to linking combine both methods. In the selection of a method, the local government should consider if there is political support for the process, and whether it can be administered in a transparent manner. As well, local governments need to assess which methods are conducive to ensure long-term commitment from all parties to deliver what was agreed upon.

Clearly define how resources derived from development linking will be allocated

It is important that community groups and citizens clearly define their needs and LED objectives (see *Step 5: Setting Objectives* in **The Manual**). Local governments and citizens' groups need to quantify what programs and facilities are needed to meet these objectives. The clearer these needs can be expressed in monetary or physical terms, the easier it is to fairly determine how the resources derived from development linking are allocated. Mechanisms should then be used to ensure the programs and facilities are properly implemented. For example, a separate bank account specifically for linkage fees allocated towards a LED program can be opened. Also, if a developer agrees to build a facility for the benefit of the community, local governments can require its completion before units are rented or sold.

Involve local citizens

Partnerships (see *Action 22: Partnerships*) and Stakeholder Implementation Groups (see *Action 2: Stakeholder Implementation Group*) can be used to include local citizens in the process, thereby making sure that benefits from development linking respond to the needs of citizens living in the local area. In *Case Study 40* below, informal street vendors in Lima, Peru were consulted before a project to revive the historic core was initiated. As a result, the street vendors were voluntarily relocated to formal commercial spaces provided by the developer, which improved their socio-economic working conditions and helped to revitalize the historic city center.

Implement procedures to evaluate development linking

Development linking can take time to be accepted and administered in an effective manner; therefore, evaluating the process on a regular basis can help local governments to improve their approach to development linking and to determine the benefits and constraints of the system. Criteria local governments can consider for evaluation include the following:

- What are the legal implications of development linking?
- Is linkage policy sensitive to the development market?
- What will linkage fees deliver?

Community Benefits

- Provision of secure land tenure
Development linking can help to provide secure land tenure for local businesses. In areas where businesses are operating in the informal sector, the construction of commercial spaces for these businesses through development linking can improve working conditions and security.
- Physical improvement of a local area
The benefits derived from development linking can be used towards upgrading the physical environment.
- Increased job creation
Development linking can increase job creation in a local area by providing construction jobs. In addition, it can result in the construction of commercial spaces to attract, retain and expand businesses in the local area, which also leads to job creation.
- Provision of affordable housing and services
Often, development linking is used to build affordable housing. Providing affordable housing can assist workers find housing in closer proximity to employment opportunities. As well, day care facilities and programs

funded by development linking enable residents more opportunities to pursue employment.

- ❑ Fosters a more productive local economy
Effective LED institutional co-ordinating mechanisms will improve the economic vitality of the area that they represent.

Obstacles and Challenges

- ❑ Market fluctuations
Development linking depends on the availability of profitable sites for private developments. Fluctuations in market conditions can change the real estate environment. The success of development linking will be negatively affected when competition for development in desirable locations goes down. This can undermine the stability and viability of development linking.
- ❑ Non-compliance
Local governments that utilize development linking might find it difficult to ensure that private developers pay linkage fees or complete facility construction.
- ❑ Legal issues
Illustrating a link between appropriate fees for development and local area investment can be difficult. Private developers might legally challenge local governments on the cost of development fees if their use is not clearly and transparently explained.
- ❑ Overdependence on development linking
Due to the shifting nature of real estate development, development linking should be relied on as a temporary action that is meant to direct investment towards supporting LED objectives. Local governments might become overly dependent on development linking to compensate for other programs that allocate funds towards projects that address poverty reduction.

Case Study 40: Relocation of Street Trading, Lima, Peru

The central core of Lima, Peru was home to a substantial uncontrolled and informal street market that had degraded the area and discouraged private sector investment. To help improve the situation, maintain the market and jobs, create new public spaces and revive the central city area, city staff initiated a program to relocate street traders to other, more suitable business areas in the metropolis. The program was implemented through the Lima Downtown Master Plan, a comprehensive plan for the entire downtown area, and included the reconditioning and revival of important public spaces in the Lima Historical Center vacated by the street traders. Specifically, the objectives of the program were the following:

- ❑ To recover, recondition and revitalize public spaces occupied by street traders;
- ❑ To improve street traders' socio-economic conditions by encouraging formalization;
- ❑ To improve the environmental quality of the Historical Center;
- ❑ To talk to street traders to promote and advise on the relocation and acquisition of premises;
- ❑ To encourage progressive relocation of street traders out of the Historical Center;
- ❑ To implement reconditioning and revival activities in recovered spaces; and
- ❑ To simplify municipal requirements and promotional taxation.

Ultimately, the program helped increase private investment in the City Center, reanimated the historical Center of Lima, improved the working conditions for those involved in the street market and helped the City regain its authority over the downtown area and improve its managerial capacity.

Source:

<http://www.bestpractices.org/cgi-bin/lbp98.cgi?cmd=detail&id=11300&key=ElAtyrkbfah>

Further Information:

Municipality of Lima Tel: (511)4-279761/4-278653 Fax: (511) 4-266080 E-mail: aherry@munlima.gob.pe

Case Study 41: Office-Affordable Housing Linkage Program, San Francisco, US

In the mid-1960s to the mid-1980s, San Francisco experienced a boom in office construction. The increased speed of development in the downtown core placed pressures on the cost of rental housing and the availability of affordable housing. The amount of affordable housing in relation to jobs faced a growing disparity. To address this problem, the San Francisco Department of City Planning initiated two linkage fee programs: the Office

Case Study 41 (Continued)

Housing Production Program (OHPP) and the Office Affordable Housing Production Program (OAHPP).

The OHPP existed between 1981-1984 and was an interim program, that required office development of 4,600 or more gross square meters [49,516 square feet] in the downtown core to build .95 units of housing per 100 square meters [1,076 square feet] of office construction. It was intended to increase the general housing supply in the city, and it offered incentives to developers if they built low-income housing. A credit system was created, whereby the more affordable the housing, the less the developer had to build. The OHPP supported 5,690 housing units in the approval of 39 office developments. Of these units, 3,870 were affordable housing. Developers were also given the choice to make cash-in-lieu contributions to the City's housing trust fund. The City recognized that this program did not support construction of enough affordable housing and the OAHPP was created in 1985.

The OAHPP differed from the OHPP because it enforced the following:

- Strict requirements for developers to produce affordable housing;
- Elimination of a credit system; and
- A fixed cash-in-lieu structure to be paid into a housing trust.

Since 1990, office space construction exceeding 2,300 square meters [24,750 square feet] must be matched with .41 units of affordable housing for every 100 square meters [1,076 square feet] of office construction. The developer's housing obligation can be met through construction of new housing, rehabilitation of existing housing or contributions to the City's housing trust fund. Shortly after 1990, San Francisco's office market slowed down. However, the OAHPP has delivered 765 units of affordable housing, cash-in-lieu fees of US\$8.2 million and more than US\$4 million loaned to assist projects building affordable rental units, single-room occupancy and condominiums. Overall, both programs have contributed more than 4,600 units of affordable housing in San Francisco and have ensured the ongoing production of affordable housing through the Affordable Housing Trust Fund, even when office space development declined in the 1990s.

Source: Office-Affordable Housing Linkage Programs - San Francisco, California

*<http://www.cmhc-schl.gc.ca/en/imquaflafholafadv/porelusdelelcase1.cfm>
also see San Francisco Web site: www.ci.sf.ca.us/planning*

Resource Links

Using Development Levies: Canadian Mortgage and Housing Corporation
<http://www.cmhc-schl.gc.ca/en/imquaflafholafadv/porelusdelelcase1.cfm>

Lincoln Institute of Land Policy
<http://www.lincolninst.edu/index-high.asp>

Organizational development for LED

Action 20. Creating LED Organizations

Related Actions: Policy and Regulation; Skills Training Centers; Small Business Development Centers; Partnerships

Summary

Local economic development organizations are devoted to planning and implementing LED actions. LED initiatives carried out on a project-to-project basis by separate organizations with little or no co-ordination often prove to be less successful in the long run than those comprehensively planned and well-coordinated. Involving government and non-governmental institutions and organizations is key to building an effective approach. Sustainable and productive organizations can better plan and co-ordinate a LED strategy, and more effectively represent those groups that are often underrepresented in economic development planning. Some organizations that can serve as a base for local economic decision-making are women's organizations, chambers of commerce and community development corporations.

Making Creating LED Organizations work

Organizational development strategies can be devised in many ways, but some key focus areas are skill development, financial support and strengthening co-operation among community organizations. Often, communities have existing organizations that are engaged in activities centered around a particular issue such as women, environment, veterans or many others. These groups might have a range of interests in LED planning from very low to very high, and from general to specific.

These organizations might only want to be engaged in a particular LED concern or might want to contribute to addressing a number of LED issues. Different individuals and groups in the community can provide different sets of knowledge, skills and resources to LED planning and implementation. Often, the most difficult time for organizations is during initial start-up where LED strategies, government programs and support organizations focus their attention to help support organizations get off the ground. Existing organizations might offer other types of support such as specific skill development.

Types of organizations that support LED include the following:

- ❑ **Business Improvement/ Development Associations (BIA, BDA).** These are associations of local business working together to create a better environment for business in a community and/or municipality. BIAs also organize

businesses to fulfill collectively agreed-upon social responsibilities such as beautification programs and contributions to social programs for marginalized groups such as training programs and housing initiatives.

- ❑ **Community Development Corporations (CDC).** Typically, these are non-profit corporations designed to invest in public infrastructure (e.g. affordable housing, roads, parks), promote enterprise development, clean the environment, attract investment and support other initiatives for a specific community. They can be financed through their own loan programs, government, large private donor financing and/or through fundraising programs. CDCs can evolve from Business Development Centers or work in co-operation with them.
- ❑ **Municipal Government LED Department.** Municipal governments will often designate an existing department or create a new department designed to head LED initiatives. Choosing which department to lead LED initiatives can have significant influence on LED. For example, by choosing an economic development department to direct LED activities, its expertise and resources would traditionally be dedicated to private- sector development, thus signaling to the business community their importance to the LED process. The specific resources dedicated to this task can heavily influence local municipal decisions. Another option is for the planning department to take the lead on LED planning. This facilitates the integration of private-sector development goals with other municipal planning goals such as transportation, housing and social services. On the other hand, adding LED planning to the responsibilities of a planning department without proper resources can make LED a low priority and lead to poor LED planning. All municipal departments will be heavily influenced by the current political climate, making them vulnerable to abrupt, short-term policy changes.
- ❑ **Standing Local Economic Development Committees.** With the purpose of gaining political support for LED initiatives, a permanent or long-standing LED committee can be formed as part of the formal governing structure. The LED committee or commission can help tackle policy issues related to LED such as tax policy, public-sector-initiated LED investment and government lending programs for LED. Standing committees provide a continuous local advocate for economic development and can assert local- level priorities for LED in the face of outside economic development pressures. It is important that political representation on a LED committee not be limited to traditional economic development actors such as business and banking interests, but also include

representatives from other sectors such as cultural, social and environmental advocates in the community.

- ❑ **LED organizations representing marginalized and minority groups.** To develop equitable and successful LED policy, it is important to make a special effort to establish organizations that effectively represent groups that have traditionally been underrepresented in economic development planning and implementation. Women are one group that has been widely excluded from LED planning, but in many communities, women have begun to organize women's business and entrepreneur associations, micro-credit lending circles and other initiatives to address the specific LED needs of women. In the same way, ethnic minorities, economically marginalized groups (e.g. squatter settlements, street vendors, youth), and other groups have started organizations to represent their interests (see Case Study 43).
- ❑ **Chambers of Commerce.** Chambers of Commerce are similar to business improvement associations in that they are primarily advocates for business within a community. They work to raise the profile of local businesses, advocate for local business in the political realm and establish business standards. Chambers of Commerce typically do little to organize businesses towards collective action to address social issues.
- ❑ **Other organizations.** Other types of organizations that could be taken into consideration might include organizations to represent squatter settlements, or specific economic sectors (e.g. agricultural, high tech, and street vendors), etc.

Community Benefits

- ❑ Facilitates and supports the implementation of LED strategies over the long term
Successful LED projects are often not implemented in the short-term, but require long-term commitment and dedicated support that community organizations can provide.
- ❑ Brings a wider range of community members to the LED development planning and implementation table
LED projects can be more successful if they are supported by a broader range of partners, organizers and funders, particularly over the long-term, so that responsibility does not fall on one group or individual.
- ❑ Builds program continuity and long-term support for LED strategy
Program continuity is critical to LED projects that are

implemented in phases over the long-term or those that are incrementally expanded.

- ❑ Pools community resources for economic development
LED programs can be expensive or can require substantial managerial or technical support. A good organizational development strategy, however, can help pool community resources and skills to ensure that the program remains adequately funded and staffed.
- ❑ Develops coordinated strategies and policies among economic development interests
Successful LED projects generally must represent the wide range of economic development interests that are present in communities. They cannot simply reflect one group's aspirations or objectives, or they risk alienating other groups or building limited community support.

Obstacles and Challenges

- ❑ Lack of representation
Institutionalization of LED can limit community control of the LED process if the institutions are not representative of the community as a whole.
- ❑ Marginalization
The potential for excluding certain groups exists if the loudest or most powerful stakeholders take control of organizations.
- ❑ Bureaucratization
Creativity can get stifled in the standardization of organizational bureaucracy.
- ❑ Adaptability
LED organizations might need to change their mandates and objectives as the needs of a local community change, and should be adaptable enough to do so.

Case Study 42: Association of Cambodian Local Economic Development Agencies, Cambodia

Founded in 1993, the Association of Cambodian Local Economic Development Agencies (ACLEDA) is a successful example of NGO development that supports local economic development initiatives. This network of 14 provincial branch offices and numerous district offices started as a national NGO, supporting small- and micro-enterprise development and evolved into a financial institution for the poor. Currently it offers a variety of services, including the following:

- Identifying business opportunities;
- Practical training in entrepreneurship and small business management;
- Support for developing business plans;
- Loans of up to US\$4,000 for self-employment, micro and small enterprise, as well as agricultural activities;
- Establishing of neighborhood and village banks;
- Facilitating access to technical consultancy and credit for medium-sized enterprises; and
- Facilitating access to skill training.

The ACLEDA policy is directed by a General Assembly, a Board of Directors, an Executive Committee and a technical consultancy. Each of the branch offices has a Branch Director and technical staff to help support small and micro-enterprises in the local areas. Each branch office has an Advisory Committee that includes representatives of other organizations and guides policy for each office. There are also Local Credit Committees that approve loans at the branch offices and advise the Revolving Fund Management Committee at the central level. The RFMC approves loans of more than US\$2,000 and gives advice to the Board on financial matters. ACLEDA has received support from UNDP, ILO, the Government of the Netherlands, the European Union, Caisse Francaise de Developpement, CARERE, the Shell Company of Cambodia Limited, the United Nation Population Fund (UNFPA), and the New Zealand Embassy.

ACLEDA successes have included the following:

- Currently outstanding loans account for more than US\$19 million in loans to more than 80,000 clients;
- 74% of the clients are women; and
- 98% recovery of micro-credit loans and 96% recovery of small business loans.

In 2002, ACLEDA achieved status as a fully operating specialized bank, while continuing to provide financial assistance to the poor.

Further Information:

*Association of Cambodian Local Economic Development Agencies
#28, Mao Tse Tung Bvd, Phnom Penh, Cambodia*

Tel.: 855-23-364619/ 210812/ 214634, Fax: 855-23-364914 / 217816

E-mail: acledabank@acledabank.com.kh

<http://www.acledabank.com.kh>

Case Study 43: Informal Traders Management Board (ITMB), Durban, South Africa

Street trading is a visible and very significant part of the informal economy of South Africa. Since 1990, new laws have given new freedoms to street traders; however, the needs of traders have encouraged the development of organizations to represent their interests. At present, a small percentage of South African street traders belong to organizations (approximately 11 per cent overall), but these organizations are growing steadily.

A prominent example of improved street trader collectivity has been the Informal Traders Management Board (ITMB) in Durban. In 1995, all the street vendors' organizations in Durban decided that they needed "one voice" to communicate their needs to local government, and formed ITMB.

Membership requires members to be street traders, South African citizens and to have a trading site. ITMB does not have a membership fee, and has a membership board with 60 per cent women members. It is managed and administrated by volunteer street traders.

Some of the board's achievements have been to improve relations between traders and police by having ITMB representatives sit on the central business district (CBD) community policing forum. Also, ITMB organized the Traders Against Crime (TAC) campaign to discourage crime amongst and against traders. ITMB also participated in the Keep Durban Clean campaign, which has been important for strengthening relationships between traders and local authorities.

In 2000, perhaps most importantly, the organization set up a trader representative forum, a vehicle that ITMB uses to lobby, on behalf of street traders, for improved trading sites, better public sanitation facilities and an insurance plan for traders whose goods are stolen or lost. Also, the organization seek is to develop a Micro-Business Bank to help provide credit. Some gains have been made in these areas, and relationships between street traders and local authorities have vastly improved since the abolition of apartheid. Local authorities have contributed strongly to ITMB's success; they have strengthened the organization by working co-operatively with the ITMB to improve the working conditions and profitability of street trading.

The achievements of organizations like ITMB have helped represent street traders more prominently, make better relationships between street traders and local authorities and create a better environment for street traders to do business. Local authorities have contributed to such organizations by co-operating with them, working with them to instigate change and giving them a greater voice in their own affairs.

Source:

The International Labour Organization. Street Traders and Their Organizations in South Africa. Geneva: The International Labour Organization, 2003.

www.ilo.org

Resource Links

The ILO - Local Economic Development Agencies: international co-operation for human development, democratic economies and poverty reduction.
<http://www.ilo.org/public/english/employment/led/download/adel.pdf>.

For information on ILO pilot LEDA projects in Serbia and Ghana, visit <http://www.ilo.org/led>

American Association of Minority Business

P. O. Box 35432

Charlotte, NC, US 28235

Tel.: (704) 376-2262

Fax: (704) 597-8486

Email: KAAMB@aol.com

<http://www.website1.com/aamb>

National Cooperative Development Corporation - India

Head office

4, Siri Institutional Area

Hauzkhas, New Delhi 110016, India.

Fax: (011) 6962370/6516032

Tel.: 6510314 & 6519247

E-mail : cdmis@ncdc.delhi.nic.in

<http://ncdc.nic.in/>

Asian Community Development Corporation

888 Washington Street, Suite 102

Boston, MA 02111-1426

Tel: 617-482-2380

Fax 617-482-3056

info@asiancdc.org

<http://www.asiancdc.org/>

National Congress on Community Economic Development (NCCED)

1030 15th Street NW

Suite 325

Washington, DC, US 20005 Tel: 202-289-9020

Fax: 202-289-7051

1-877-44-NCCED(62233)

E-mail: ncced@ncced.org

<http://www.ncced.org/>

Action 21. Co-operatives

Related Actions: Small Business Development Centers; Micro-Credit; Urban-Rural Linkages

Summary

A co-operative is a democratically controlled enterprise owned by its members to fulfill an economic, social or cultural need. Co-operatives, or co-ops, operate on the core principle of “one member, one vote.” This principle gives all members an equal opportunity to have a say in how the co-op is run.

Co-operatives operate in all sectors of the global economy and can provide many types of goods and services, from agricultural products to manufactured goods to childcare. Co-ops fall into three main categories:

1. Producer-owned Co-operatives

These are owned by independent farmers, producers or small businesses. Agricultural producers or crafts people set up co-operatives to process and market their goods and to provide themselves with credit, equipment and production supplies. Similarly, retail stores or small businesses organize co-operatives to provide supplies or common services.

2. Consumer-owned Co-operatives

These enterprises are owned by member/consumers that provide a wide array of goods and services. Consumer-owned co-operatives can keep prices low and respond to member needs through advocacy and buying power. This type of co-operative might also offer health care, utilities, insurance or housing. They might buy and sell food, heating fuel, hardware and other consumer goods. They might also offer services such as credit unions and childcare facilities.

3. Worker-owned Co-operatives

These are businesses owned and managed by their employees. Worker co-operatives might be found in almost any industry. Examples include employee-owned food stores, processing companies, restaurants, taxi cab companies, sewing companies, timber processors and light and heavy industry.

Making Co-Operatives work

Ensure voluntary and open membership

Co-operatives are voluntary organizations and should be open to all persons able to use their services and willing to accept the responsibilities of membership without gender, social, racial, political or religious discrimination.

Maintain democratic member control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. Successful co-ops have well-defined decision-making processes and structures that are agreed upon by their members. It is important that members decide on the objectives for the Co-operative (see *Step 5: Setting Objectives* in **The Manual**).

Ensure economic participation

Members contribute equitably to, and democratically control, the capital of their co-operative. Such a personal investment helps build a sense of collective ownership, responsibility and benefit. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Surpluses can be reinvested in the co-operative or dispersed to members.

Maintain skilled management

As with almost any form of enterprise, a co-operative's success highly depends on skilled management.

Community Benefits

- ❑ Keeps economic benefits within a community
With co-operatives, profit is not diverted to outside investors. Instead, it stays in the community through employee wages, capital investment in the co-operative and other investment in the community.
- ❑ Promotes active democracy
Co-operative members develop the values and skills needed to be active in democratic life through the processes of collective decision-making.
- ❑ Builds open markets
Co-operatives spread economic power and encourage competition among enterprises. They provide market leverage to small producers marginalized by powerful cartels or sole-source companies.
- ❑ Improves the larger community from which co-operatives draw their membership
Unlike more traditional enterprises, co-operatives tend to be more deeply concerned about the community from which they draw their members, and, as such, tend to be more active in the community. In fact, many co-operatives are developed simply to provide social necessities, such

as housing, health care or child care, to their members. As a type of co-operative, credit unions are also dedicated to building better communities for their members and often develop programs funded by member capital to improve living conditions in lower-income areas.

Co-ops harness local community skills and resources.

- ❑ Pooling resources and expertise

A co-operative is an excellent tool to collectively harness a community's different skills, knowledge and resources. As such, the key advantage of a co-op is the ability of members to pool their resources and expertise.

Obstacles and Challenges

- ❑ Lack of skilled leadership

A co-operative requires a skilled and dedicated management team, able to work well with members and effectively use members' collective resources and skills. Without good management, a co-operative can break down and create divisions in a community.

- ❑ Loss of democratic control

Co-operatives can evolve into cartels if they become exclusive organizations that are not open to new members. The collective nature of co-ops is typically a benefit, but it can turn into a pitfall if the co-op becomes a monopoly and starts to push out competing businesses to create additional employment and wealth only for its members.

- ❑ Limited member involvement

A poorly managed co-operative with unclear member responsibilities can lead to a "freeloader" problem where some members reap the benefits of the co-operative, but do not adequately fulfill their responsibility to the co-operative (e.g. not paying dues or rent, not working the expected number of hours, doing poor quality work).

Case Study 44: Recocarno Coffee Co-operative, Haiti

In Haiti, small groups of coffee farmers were fragmented, disorganized and forced to sell their coffee at the lowest prices. Quality suffered due to low price incentives and they had little access to information. Farmers were encouraged to re-organize, and 300 disparate producers set up the Recocarno Co-operative in co-ordination with Oxfam, Twin and a local NGO to become the first farmer-owned exporter of quality coffee in Haiti. Following a year of training, Recocarno achieved Fair-trade registration, with Café direct as one of its first customers, which provided them with the higher income needed to support a new business.

Café direct is the leading Fair-trade hot beverage business in the UK and sells its products to all major supermarkets. Café direct's involvement guaranteed 60 per cent pre-financing on every contract and provided the co-operative with essential working capital. In the four years that Recocarno has been in operation, it has quadrupled its orders to Café direct and increased its shipping to other Fair-trade customers in Holland and Japan. It now plans to reduce its dependency on Fair-trade and build export volumes in the conventional marketplace.

An assessment and survey of the co-operative conducted by Oxfam identified the following successes:

- Increased bargaining power;
- Increased control of assets;
- Better access for women to capital and participation in decision-making structures;
- Improved entrepreneurial skills and incomes;
- Reforestation of coffee plots; and
- More food and better education for children.

Further Information:

<http://www.cafedirect.co.uk>

Resource Links

Cooperative Development Foundation
Suite 1100, 1401 New York Ave, NW
Washington, DC, US 20005
Tel: (202) 638-6222 Fax : (202) 638-1374
<http://www.coopdevelopment.org/>

Développement international Desjardins
150, avenue des Commandeurs
Lévis, Québec Canada
G6V 6P8
Tel: (418) 835-2400
Fax: (418) 833-0742
Email: info@did.qc.ca
<http://www.did.qc.ca/fr/>

International Cooperative Alliance
15, route des Morillons, 1218 Grand-Saconnex,
Geneva, Switzerland
Tel: (+41) 022 929 88 88
Fax: (+41) 022 798 41 22
E-mail: ica@coop.org
<http://www.ica.coop/ica/index.html>

Action 22. Partnerships

Related Actions: Stakeholder Implementation Groups; Co-operatives; Institutional Co-operation Mechanisms; Urban and Rural Linkages.

Summary

Partnerships between the public and private sector and the community are often an effective and efficient approach to implementing LED strategies in local communities. They co-ordinate actions between different stakeholders and help define roles and responsibilities for stakeholders who work together.

Partnerships can take many different forms. They might involve the public sector, the private sector, the non-governmental sector and the general public. Partnerships might also develop between stakeholders from the same sector who have different functions, such as state/provincial and national government. Various types of partnerships are possible and different types are appropriate in different situations.

Making Partnerships work

Stakeholder identification

To start a partnership, it might be necessary to identify which stakeholders should be included. This is similar to *Action 2: Stakeholder Implementation Groups*. In **The ToolKit**, *Step 2A* provides methods for identifying stakeholders that might be needed for stakeholder implementation groups or for creating partnerships in general.

Create a well defined vision and identify objectives

The roles and responsibilities of partner agencies and groups must be made clear for all parties as early as possible in a LED process, to help ensure positive working relationships and to develop clear project time lines. In most cases, it is necessary to define a leader(s) among all of the stakeholders involved, if not readily identified.

Often, written agreements or memorandums of understanding (MOUs) should be prepared to clarify roles and ensure project transparency. A good time to do this is *Step 2: Stakeholders and Participation* in the **Manual**, when relevant partnering stakeholders are identified and their roles in the LED process are defined. Some partnerships, however, need to be in place from the beginning of LED, particularly when a partnership is responsible for initiating a project.

Make clear the advantages and disadvantages of partnership

Stakeholders that might become partners should be made aware of all of the advantages and disadvantages of working together. Effective partnerships are likely to develop when stakeholders are aware of these factors in the first place.

Build respect and trust amongst partners

To effectively share knowledge and move a project forward, partnerships must be transparent, open, fair and based on mutual respect. Otherwise, they might fail or be slow to initiate important actions.

Explore different options

It is helpful to examine all of the different types of partnerships possible, because there are many options. *Case Study 45* provides various examples of partnerships used in LED in several different countries.

Monitor and evaluate continuously

Partnerships are ever-evolving arrangements that need to be continuously monitored and updated, to keep up with new internal and external realities, pressures and opportunities (see *Step 9: Monitor and Evaluate* in the **Manual**). Partnerships should be evaluated at various times throughout the LED process, to see if they should be changed or adjusted, and/or to identify other areas for improvement.

Successful partnerships are developed when each stakeholder is achieving their own objectives, even though the goals/objectives of each individual may not be the same. The monitoring process, therefore, should be sensitive to the goals and objectives of each stakeholder.

Community Benefits

- ❑ Builds community capacity
A partnership's main purpose is to build capacity, combine resources and responsibility, and support communities and other stakeholders.
- ❑ Improves local service delivery
Partnerships among central government, local government, business and private sector and communities can improve service delivery in many different ways. For example, partnerships between the private and public sector might reduce or overcome legal and institutional barriers to LED action.

Obstacles and Challenges

- ❑ Lack of Trust
In many communities, there might be a long-standing lack of trust between various stakeholders in the public, private and NGO sectors, which can impede partnerships.

- ❑ **Lack of commitment**
Partners need to be committed and fulfill the responsibilities they agree to undertake. Failure to do so can lead to distrust.
- ❑ **Poorly defined roles and expectations**
Defining roles and responsibilities can be difficult; however, it is very important for establishing mutual trust, creating lines of accountability and making the partnership more effective overall.
- ❑ **Failure to evaluate frequently**
A partnership will work less effectively if it is not monitored and evaluated on a regular basis. If a memorandum of understanding (MOU) is drafted, it should outline terms and conditions for a monitoring process.
- ❑ **Having incentives for partnership**
Stakeholders should be aware of why they agreed to enter a partnership in the first place, so that they are fulfilling their own objectives. Each stakeholder's individual objectives are important, but they might not be the same. Therefore, incentives might need to be created and potential advantages identified when seeking the participation of various stakeholders.

Case Study 45: Examples of Partnerships of Different Types

Government - NGO – Communities – Business: Social Impact Project, Poland

The Social Impact Project is an action-research project currently operating in four towns in Poland. It has been operating since 2000. Throughout the project, local NGOs have worked to improve communication and joint action between business, local government and the community. The project's central mission is to encourage community/business partnership to work towards sustainable development, especially in the areas of the environment, economic development and community-based urban renewal. Thus far, these linkages have resulted in a new green business park in Gorlice, a business school in Chorzow, small-business development projects and environmental programs in Malbork. As well, a program for coping with large-scale unemployment has been launched.

Government – Local Business: Partnerships for Sustainable Development in Lontras, Brazil,

In 1997, a network of community farmers' associations, connected through a Local Council, was instituted. The network has decision-making power over, and participated in, the design, execution, evaluation and monitoring of the Local Sustainable Development Plan, to help family farm production in the municipality of Lontras. The plan has helped strengthen local farmers' bargaining power with regards to purchasing inputs, and improving their ability to get value-added goods to market. Diversification and skills training have also been achieved.

Government (Local and Central) – Private Sector – Public Sector – Community Participatory Planning for Sustainable Growth and Development, Ol Kalou, Kenya

Ol Kalou was an isolated farming community that had few urban services. Its population, however, was growing, just as Kenya's economy was declining. Thus, the Town Council decided to prepare a Local Authority Development Plan through a participatory approach. Stakeholders included the business community, religious organizations, the central government and others. As a result, town residents were made aware for the first time of the budgetary shortfalls facing the Town Council and paid their dues promptly, making up the budgetary deficit by more than 200per cent. As a result, the Town Council has been able to form several committees in partnership with various stakeholders to implement projects involving the resettlement of landless people, wastewater management, reforestation and town beautification and is currently rebuilding the retail market.

Case Study 45 (Continued)

Government – Community Strategic Participative Plan of the Canton of El Pan, Ecuador

The Canton of El Pan was dependent on corn crops with little diversification or value-added work. As such, the community was experiencing net emigration, especially of young people. The municipality was felt to be inefficient and paternalistic, but nevertheless, undertook the decentralization of local government toward community organizations. By strengthening local community organizations, called secretarial associations, the community and local authorities were able to join together to develop a Strategic Participative Plan. This has impacted considerably on the local economy through increased diversification and growth in employment.

NGO – Community – Local Businesses: The Alexandria Business Association (ABA), Egypt

The ABA is a non-profit foundation that supplies small and micro-enterprises (SMEs) with credit to support their growth. The ABA has a collateral fund of US\$8 million provided by USAID. This allows the organization to borrow Egyptian pounds, which it then on-lends to small businesses. It has few prerequisites for its loans, allows for flexibility in repayment and, in addition, offers technical advice to clients.

Further Information: <http://www.bestpractices.org/>

Case Study 46: Public-Private-Community-Producer Groups, Indonesia

KPEL is a strategy for LED in Indonesia. In Sorong, located in Irian Jaya in eastern Indonesia, the KPEL partnership helps stakeholders work together to dialogue, plan, implement and monitor a cluster development strategy for the fishing industry. KPEL includes the private sector, the public sector, the community and producers. Although producers are part of the private sector, their interests are not the same as traders, and are often underrepresented.

Since its establishment in 1999, the Partnership has identified new market opportunities, mobilized resources for capacity-building and empowered producers through training and support to setup collective associations to negotiate, trade, and provide technical support to improve catching techniques and processing procedures. The private sector has helped identify investors to expand the market and support services in the area. Government support includes ensuring policy support, technical support, through the agency of marine and fisheries, and agriculture and business development support through the agency of co-operatives and SMEs (Small-Medium Enterprises). Monthly meetings focus on developing options to stimulate LED, through the development of the fishing (and in particular, shrimp) cluster. Since KPEL's intervention, government

Case Study 46 (Continued)

has been in a better position to target its policies to meet the real needs of its citizens, support services have been enhanced and the local economy has, to a certain degree, been also strengthened. The partnership was legalized under Law 8 of 195 as a social/voluntary organization, with a purpose to guide LED.

Some of the challenges for sustaining the involvement of stakeholders have included the following:

- Training the public and private sector to do business differently;
- Ensuring cross-sectoral collaboration;
- Sustaining private sector involvement;
- Formulating a common vision and plan;
- Ensuring mistakes become lessons that inform the future; and
- Remaining innovative.

Based on the Sorong Partnership experience, for a partnership to be successful it must

- Be flexible and adaptable to local conditions;
- Be inclusive and include all of the relevant stakeholders;
- Have a leader;
- Have a clear and focused work plan;
- Put in place a program to monitor the plan; and
- Be recognized by all of the stakeholders, especially the government.

Source:

Adapted from a Contribution by Dr Jos Kbarek,
Partnership Forum Chair, KPEL
<http://www.kpel.or.id>

Resource Links

Community Contracts. ILO, 2001 (ISBN 92-2-112408-8) Organisation, Negotiation

Contracting in Development Programmes and Projects, ILO 2001 (ISBN 92-2-112404-5)
<http://www.ilo.org/eijp>.

Action 23. Institutional Co-ordination Mechanisms

Related Actions: Policy and Regulation; Demonstration Projects; Research and Analysis; LED Publications; Knowledge Management, Creating LED Organizations Partnerships; Promoting Foreign Direct Investment

Summary

Institutional Co-ordination Mechanisms are formal and informal tools designed to promote co-operation in achieving LED goals. An effective LED plan involves all sectors of society. Since the 1992 Rio Conference on Environment and Development (UNCED), great emphasis has been placed on involving more stakeholders in decision-making processes. This has increased the need to find effective co-ordination mechanisms to facilitate coherent policy creation in a timely manner.

Partly due to the complexity and diversity of society, government departments have become increasingly compartmentalized and focused on narrow objectives. It is an enormous challenge to overcome this, but one that must be met to achieve successful results. Often, there is a lack of capacity, or not enough time to integrate different objectives into a single plan. However, with increased awareness of the need for co-operation, it can be achieved through formal and informal methods. Regular meetings between government departments, newsletters, Web sites and conferences are all effective ways to increase co-ordination. Moreover, as planning and collaboration exists across many scales of decision-making, conferences can also be designed that reflect the appropriate scale.

Co-ordination mechanisms must exist across different geographic scales and actors. To craft an effective co-ordination strategy, it is important to begin with a thorough understanding of the institutions and actors at play. One way to achieve this is by drawing a political map of the government institutions and private stakeholders (LEDAs, Chamber of Commerce, Business Associations). This map should illustrate the responsibilities of the various actors, and indicate where these areas overlap. Using this map, it becomes possible to envision potential sources of conflict, as well as opportunities for co-operation.

Institutional Co-ordination methods will vary with each locality, yet they all share a common purpose:

- ❑ To manage and mobilize scarce resources;
- ❑ To define and harmonize the roles of various partners in LED;
- ❑ To monitor ongoing challenges and opportunities in LED; and
- ❑ To facilitate policy and regulatory interventions.

Other regional institutional co-ordination mechanisms include various forms of metropolitan governance. Metropolitan government can range from a distinct level of government to an association of municipalities that come together to address issues of common concern. One example of this type of body is the Greater Vancouver Regional District (GVRD) in Vancouver, BC, Canada. The GVRD is a partnership of 21 municipalities and one elec-

toral area that makeup the metropolitan area of Greater Vancouver. While its function is not primarily economic, the GVRD does function as a collective voice for the region, and as a collective decision-making body. More information can be found in the Resources Links section below.

The participation of the national government in LED plans is a crucial factor that can often be overlooked during the LED planning process. Many LED actions such as public transit, workforce training programs, local taxation policies and local currency systems might impact national government interests. For example, in 1998, in the Kud Chum district of north-eastern Thailand, local and international development partners established a local currency system (see *Action 25: Local Currency or Local Area Currency Systems*). The program was successful, but ran afoul of national government policies. After a five-month hiatus, the program was re-established, but with consultation and input from a wider group of stakeholders, including academics, NGOs, the Bank of Thailand and the Ministry of Finance. To avoid these types of issues and ensure sustainable success, it is important that local institutions be assigned to work with all levels of government.

Making Local Institutional Co-ordination work

Promote the idea and make local contacts

Prior to establishing a co-ordinating agency, it is important to talk to affected stakeholders and identify who might want to work with/for the agency. This step will ensure that the agency truly reflects the range of stakeholders involved in the LED process and enable the agency to co-ordinate these efforts.

Establish the institutional structure of LED

Whether this is a new LEDA or an existing institution, it is important to establish the credibility of the agency with all local stakeholders. Pursuant to this, the agency should operate according to transparent regulations and open decision-making processes.

Announce the coordinating agency

Once an agency has been formed, funded and begun operations, it is important to present the agency to regional and national government representatives. Tasking the agency with co-ordinating various government and private LED initiatives is easy, but ensuring it has an effective role requires strong commitment and connections with other agencies.

Demonstrate the effectiveness of the co-ordinating agency

It is important to establish the credibility of the co-ordinating agency early on in the LED plan. One of the most effective ways of doing this is to run a demonstration project (see *Action 3: Demonstration Projects*)...

Community Benefits

- ❑ Fosters a more productive local economy
Effective LED institutional co-ordinating mechanisms will improve the economic vitality of the area that they represent.
- ❑ Fosters a sense of stability and fair play
Co-ordinating LED initiatives will increase local awareness of the strategic nature of LED planning. By ensuring that LED Actions are co-ordinated, the local area will benefit from improved economic stability that can result from effective planning. Also, by having a transparent organization responsible for co-ordinating the various actions of a LED plan, participants in the local economy will benefit by knowing who they can- approach to ensure their participation in the initiative.
- ❑ Improves communication amongst regional and national governments affected by LED
An effective co-ordination mechanism is also an effective advocate for LED. Thus, the potential spin-offs that could result from co-ordination are significant.

Obstacles and Challenges

- ❑ Government fragmentation and inertia
Co-ordinating the activities of disparate elements of government is difficult. Naturally, most agencies are unwilling to give up influence, but gridlock is often the result of these types of disagreements. Overcoming this requires strong leadership from the highest levels of government. Other times, it can simply be a case of resistance to change. In this circumstance, it might be helpful to revisit the “Triggering Event” discussed in *Task 5* of the **Manual**.
- ❑ Lack of policy mandate/legal framework
Many LED actions impact policy areas that involve multiple layers of government. While checks and balances are essential to ensuring the transparency of governance, at times, the institutional web created can seem impossible to navigate. Therefore, it is essential for the co-ordinating agency to enjoy widespread support amongst all stakeholders and be led by a strong individual capable of uniting many others to a common cause.
- ❑ Bureaucratization of co-ordinating agency
In some instances, the co-ordinating agency can become so involved in the LED process that its presence becomes a barrier to economic growth. It is important that the agency serve as a co-ordinating, not controlling presence.

Case Study 47: City Center Proprietors Association, Philadelphia, Pennsylvania, USA

City Center Proprietors Association is a member-support, small business group in Philadelphia, USA. The organization's principal goal is "to foster communication, cooperation, education and services among the small businesses of Center City Philadelphia and to maintain, promote and improve the commercial vitality of Center City Philadelphia."

To achieve this goal, the association has become active in organizing and communicating with the City, the City Council, its members and the general public about important issues for small businesses in the community. By actively engaging with the surrounding communities, the association has become recognized as a source of knowledge and network, capable of co-ordinating local economic development strategies. The association also works to develop the capacity of its members through professional seminars, which further facilitate sharing of information. The City Center Proprietors Association is a great example of how many types of agencies can often contribute towards Local Institutional Co-ordination.

Further information:

1528 Walnut Street, Suite 2020

Philadelphia, PA, US 19102

Tel.: 215.545.7766

Email: CCPA@CityProprietors.org

<http://www.centercityproprietors.org/>

Case Study 48: Greater Mekong Subregion

The Greater Mekong Subregion (GMS) comprises Cambodia, Lao People's Democratic Republic, Myanmar (the former Burma), Thailand, Vietnam, and Yunnan Province in the People's Republic of China. The GMS was started in 1992 with the specific goal to enhance the economic relations between the six participants in the project. The GMS's approach has been to focus on physical infrastructure improvements, more efficient flow of goods amongst the countries, and creating an international identity as a regional growth center.

When the program began in 1992, relations between many of the participating countries were strained, and very few economic linkages existed between them. The Asian Development Bank acted as a facilitator to assist the countries to recognize their common economic goals and interdependency, and from this basis, new markets and co-operative policy initiatives are emerging. The basis of consultation within the GMS is also broadening and now seeks to incorporate the participation of other development agencies, the private sector, and representatives of civil society within their planning structure.

Case Study 48 (Continued)

This project identified a lack of physical infrastructure as a key impediment to LED. Thus, working with representatives of all the participating countries, plans were developed and implemented that would improve road and telecommunications within the GMS. Once this was established, the GMS was able to leverage the improved connectivity of the region to create other productive linkages and opportunities for local economic development. BY 2002, the GMS had implemented six successful co-operative programs, with a further ten planned for the decade beginning in 2002. The GMS has been an effective co-ordinating mechanism because of its ability to generate trust and confidence amongst participating countries, to mobilize internal and external financial resources to support project objectives, and select and prioritize projects that ensure benefits to all countries within the GMS.

Further information:

Mr. Paul V. Turner

Director, Operations Coordination (GMS) Division

Mekong Department

PO Box 789

0980 Manila, Philippines

Fax: + 63 2 636 2226

Email: gms@adb.org

http://www.adb.org/GMS/connecting_nations.asp

Resource Links

Greater Vancouver Regional District
4330 Kingsway
Burnaby, BC V5H 4G8
Canada
<http://www.gvrd.bc.ca>

Finance

Action 24. Micro-credit and local banking

Related Actions: Micro- and Small-Scale Enterprise (MSE) Development; Co-operatives; Support for the Informal Sector

Summary

Micro-credit is the extension of small loans to entrepreneurs too poor to qualify for traditional bank loans. It enables those without access to lending institutions to borrow money at fair rates to create small business enterprises.

Micro-credit lending with social and financial objectives has been a successful tool for LED initiatives in many countries. Socially, these institutions seek to provide financial services to the lowest income population. Financially, the institution is driven to achieve self-sufficiency to permit sustained service delivery without continued dependence on subsidies. Micro-credit institutions utilize a variety of credit-lending models to induce local entrepreneurship. Some of the lending models are described below

Credit-lending Models

Individual

This is a straightforward credit-lending model where micro-loans are given directly to the borrower. It does not include the formation of groups or generating peer pressures to ensure repayment. The individual model is, in many cases, part of a larger program where other socio-economic services such as skill development and education are provided.

Intermediaries

The intermediary model of credit-lending positions an organization between the lenders and borrowers. The intermediary organization plays a critical role of generating credit awareness and education among the borrowers including, in some cases, starting savings programs. These activities are geared towards raising the credit worthiness of borrowers to a level attractive to the lenders. Intermediaries can be government agencies, commercial banks or international donors.

Bank Guarantees

A bank guarantee is used to obtain a loan from a commercial bank. It might be arranged externally through a donor or government agency or internally

by utilizing member savings. Loans might be given to an individual or to a self-formed group.

Community or Village Banking

The Community Banking model treats the whole community as one unit and establishes semi-formal or formal institutions through which micro-finance is dispensed. Such institutions are usually formed by extensive help from governments, NGOs and other organizations who train the community members in the financial activities of the community bank. These institutions might have savings components and other income-generating projects included in their structure.

Credit Unions

A credit union is a member-driven, self-help financial institution. It is organized by, and comprised of, members of a particular group or organization, who agree to save their money together and to make loans to each other at reasonable rates of interest. The members are people who share a common bond or live and work in the same community. A credit union's membership is open to all who belong to the group, regardless of race, religion, gender or ethnicity. A credit union is a democratic, not-for-profit financial co-operative. Each is owned and governed by its members, with members having a vote in the election of directors and committee representatives.

Grameen Model

The Grameen model is an example of a credit union. This model emerged from the poor-focused, grassroots institution, the Grameen Bank. See *Case Study 49* for more information.

Making Micro-Credit work

Work directly in the community

Staff should visit villages and poor neighborhoods almost daily, calling upon existing clients and explaining requirements to potential clients. Meetings should be held regularly in the communities.

Simplify application procedures

Application procedures should be easy to use for the customers. It has been shown that there is little difference in the rate of loan repayment between projects with complex applications and those that reduce applications to one or two pages.

Extend credit quickly

Loan applicants are often accustomed to moneylenders dispensing money on the spot and can thus become discouraged if they have to wait months before receiving services. Well-managed projects extend credit in less than a month and often within a week. They disburse subsequent loans even more quickly.

Provide access to poor clients

Formal sector banking hours and locations are often not convenient for the working poor's schedules. Successful projects tend to offer flexible schedules and convenient locations for clients.

Limit record needs and complex business plans

A goal of micro-credit initiatives is to provide the poor with access to capital. Because of limitations such as literacy or simple resources, successful programs refrain from asking for records or plans.

Minimize loan guarantee requirements to avoid eliminating most potential candidates

Credit groups, in which business owners are mutually responsible for repaying loans, substitute effectively for conventional guarantees. The individual's reputation in the community is often more important than collateral. It is important to work with existing economic activities, no matter how small, or work with start-ups appropriate to the community. Relying on peers to choose clients is also an effective tool for loan security.

Extend small, short-term loans for working capital on simplified terms

Small, short-term loans not only "test" the client's commitment to repay, but also allow the client to see whether or not a loan will, in fact, help business grow.

Provide larger loans based on successful repayment

Almost all successful programs have a well-defined system of providing increased loans based on successful repayment.

Assume clients, with their network of relationships within the community, will take a major role in the project

Clients form their own groups and provide one another with advice and assistance, reducing program costs significantly. This intensified interaction serves to develop a commitment among clients to the project, and to each other.

Focus on the local market

Local entrepreneurs can find “niches” often invisible to outside experts. Efforts to find new markets are often costly and difficult.

Community Benefits

- ❑ **Increases community capacity**
The capacity of the poor for entrepreneurship and small enterprise development is encouraged and facilitated by the availability of accessible, small-scale loans.
- ❑ **Builds local self-reliance**
Micro-credit opportunities can create employment options for both men and women in economically productive activities that lead to greater self-reliance and community stability.
- ❑ **Increases community economic security**
With the addition of savings initiatives, there can be an added assurance of growth and economic security for the lending institution and the borrower.

Obstacles and Challenges

- ❑ **Traditional mistrust of government**
Depending on the country’s history, micro-credit operations organized and managed by government might be challenged by a lack of trust.
- ❑ **Negative images of the “loan shark”**
Prior to micro-credit initiatives, many non-bank loans were often provided by ‘loan sharks’ or other non-regulated lenders who charged significant interest rates and required onerous debt repayment schedules. Such negative images and stereotypes are often difficult for micro-credit financiers to overcome.
- ❑ **Difficulty in balancing banking and counseling services**
Micro-credit delivery and management is not like typical banking. It requires considerable one-to-one and group financial counseling and assistance, which can require additional staff and costs.
- ❑ **Substantial management and monitoring systems**
Micro-credit and finance systems can require substantial staffing, which can add to project costs, particularly during program start-up.

Case Study 49: Grameen Bank Micro-credit, Dhaka, Bangladesh

The Shakti Foundation was founded in Bangladesh in 1992, following the Grameen Bank model. Typically, the Grameen Bank model sets up a bank unit with a field manager and a number of bank workers, covering an area of approximately 15 to 22 small communities. The manager and workers start by visiting villages to familiarize themselves with the local milieu in which they will be operating, identify prospective clientele, as well as explain the purpose, functions and mode of operation of the bank to the local population. Groups of five prospective borrowers are formed. In the first stage, only two of them are eligible for, and receive, a loan. The group is observed for a month to see if the members are conforming to the rules of the bank. Only if the first two borrowers repay the principal plus interest over a period of 50 weeks do other members of the group become eligible for a loan. Because of these restrictions, there is substantial group pressure to keep individual records clear. Collective responsibility of the group serves as collateral on the loan.

In the case of the Shakti Foundation, they now lend to more than 15,000 poor urban women. Since its inception, the organization has been providing small loans to poor urban women for income-generating activities while encouraging borrowers to save as well as invest. They have disbursed loans of more than 87 million Taka (US\$2 million), with an average loan size of roughly 4,000 Taka (US\$100). The Shakti Foundation's rate of recovery is almost 100 per cent and the present outstanding loans are around 28 million Taka (US\$600,000). A number of factors contribute to the organization's sustainability.

The Shakti Foundation has been able to maintain a stable loan recovery rate since 1992. The following factors have helped to ensure repayment:

- Regular attendance in weekly meetings;
- Group pressure if someone is defaulting;
- Creation of a default fund; and
- Continuous interaction with borrowers through workshops.

So far, the Shakti Foundation has charged 16per cent interest rates on a reduced and declining balance. Since 1993, they have been able to recover more than 70per cent of operational expenses and are on track to achieve self-reliance.

The Foundation also lowers costs by allowing branches of the bank to formulate their own annual work plan and cost estimations in relation to their income. The more a branch earns, the greater the salary for that branch, and the more it can spend during the next cycle. Each branch tries to outperform the others while keeping expenditures low. In the last four years, salaries of branch staff have been raised twice due to high performance and increased earnings.

Case Study 49 (Continued)

Further Information:

Shakti Foundation for Disadvantaged Women

Dhaka, Bangladesh

Tel: (880) 2-912-1645

Fax: (880) 2-911-2650

shakti@citechco.net

Moving Toward Institutional Sustainability in Developing Countries, Dr.

Humaira Islam, Micro-Credit Summit Best Practices.

Visit: www.microcreditsummit.org

Case Study 50: The Shri Mahila SEWA Sahakari Bank, Ahmedabad, India

The Self-Employed Women's Association (SEWA) was established in Ahmedabad, India in 1971 and registered as a trade union in April 1972. Within two years, more than 4,000 self-employed women had established the SEWA Bank as a co-operative bank, providing credit to women as a means of economic empowerment and reducing their dependence on "money sharks."

The women are the bank's sole shareholders and meet annually for Board elections. The Board of Directors establishes bank policy and sanctions all loans, but the bank operations are run by qualified managers hired by the Board and supervised by the Reserve Bank of India. There are no subsidies or grants and the bank borrows and lends at market rates. The Bank provides loans with a repayment period of three years for productive purposes. At present, the Bank lends to its members for working capital, for buying tools of the trade and for capital investments, such as a house, store or workspace.

In addition to providing facilities for saving and fixed deposit accounts, the bank also provides technical and management assistance in production, storage, processing, designing and sale of goods and services. They also provide legal and productivity training and other educational upgrading services and assistance.

To help provide easy access for the poor, the bank also accepts jewelry as collateral and accepts guarantees by two persons with regular incomes for loans.

Further Information:

Self Employed Women's Association Bank

Ahmedabad, India

Tel: (91) 79-658-1652 Fax: (91) 79-657-6074

Email: sewabank@email.com

Website: www.sewa.org

Resource Links

Daley-Harris, Sam, ed., 2002. Pathways Out of Poverty: Innovations in Microfinance for the Poorest Families, Kumarian Press Inc.

Micro Start: a Guide for Planning: Starting and Managing a Microfinance Program, UN Development Programme.

Visit: www.uncdf.org/english/microfinance/microstart/guide/annex.html

Otero, M. and E. Rhyne. 1994. The New world of micro enterprise finance: Building healthy financial institutions for the poor. Kumarian Press Inc.,

Waterfield, C. and A. Duval. 1996. CARE Savings and Credit Sourcebook, Atlanta, Georgia, USA: CARE

Action 25. Local Currency or Community Currency Systems

Related Actions: Stakeholder Implementation Group; Local Procurement and “Buy Local” Campaigns; Partnerships; Micro-Credit

Summary

Local currency or community currency systems are a type of parallel currency system with circulation limited to a particular geographic area or social group. To implement local currency systems, communities typically organize and administer a system of exchanging locally produced goods and services, using an interest-free currency. The local currency operates alongside the conventional national currency of the country.

This action depends on the development of partnerships between stakeholders in the local area (see *Action 22: Partnerships*). A local currency program is formed by a partnership committee of non-profit groups, local businesses and community members that manage currency issues and make credit decisions.

Local currency systems encourage money to circulate many times within the community. As a result, they help to keep money in the community and create an infrastructure that encourages local production for local needs. This action can be effective in supporting “Buy Local” Campaigns (see *Action 6: Local Procurement* and “Buy Local” Campaigns). In addition, local currency systems can play an important role in creating a stable, equity-based, diversified regional economy that further helps build and define community identity.

Local currency systems also have the potential to reduce poverty. Using local currency creates more opportunities for residents to exchange their goods or services to buy things they need. In *Case Study 51*, residents use a local currency at the market to purchase food. The use of local currency can protect vulnerable residents against high pricing and inflation for essential products and services.

Making Local Currency or Community Currency Systems work

Determine the value of the local currency

An initial step in developing a local currency is deciding what the currency will be worth and how it will be measured. In most cases, the partnership committee managing the system determines the value of the currency using two main methods:

- 1) The Local Exchange Trading System (LETS) is the most common form of parallel currency today. In this system, the local currency matches the unit of measure of the national currency.

- 2) The HOURS System uses one hour of time as a unit of account, which corresponds to the hourly wage of semi-skilled labor.

Develop a network of participating businesses

A key component of a successful local currency system is having diverse businesses and service providers accepting and using the currency; however, it can take time to build a network of residents and businesses in a local area that actively use the system and help maintain currency circulation. To get a range of participants buying and selling goods and services with the currency, it is important to determine how the participants can benefit from being involved in the system. To achieve this, it is useful to conduct an assessment of local businesses and leakages of goods and services (see *Step 3: Situation Assessment Tools* in the **ToolKit**) in the early stages of developing the currency.

This step can help organizers determine which sectors of the economy to target and identify local businesses in these sectors that might want to participate in the local currency system.

Ensure active community direction and involvement

Local currency systems are intended to serve the people living in an area. Therefore, participants should have a say over how it operates. This can be achieved by identifying and involving stakeholders and potential participants early on (see *Step 2: Stakeholders and Participation* in the **Manual**). Stakeholder implementation groups (see *Action 2: Stakeholder Implementation Group*) can also be useful to ensure continued input on the administration of local currency systems.

Build community trust

A local currency's strength depends on how much demand is created for its use.

The amount of confidence people have in one another and in the system will influence how the local currency is integrated into the local economy. To build community trust in the system, organizers should consider planning educational activities to increase residents' awareness and understanding of local currency.

Community Benefits

- ❑ Encourages trade of goods and services within the community
Local currency systems keep the circulation of capital within the immediate community as opposed to more traditional economic systems where money flows into and

out of local communities, often in negative and disproportionate ways.

- ❑ Supports production and delivery of local goods and services
Local currency cannot be used to import goods and services from outside the local area. Therefore, users of the currency help sustain a demand for local goods and services. This can also lead to new opportunities for local businesses to specialize and develop new products.
- ❑ Creates and supports local employment
By supporting locally produced goods and services, local currency systems can increase employment. Use of the currency may act as a catalyst for new businesses development and existing business expansion. It also provides residents who might have previously been excluded access to participating in economic activities.
- ❑ Reinforces and creates social relationships and business networks
Local currency systems are developed by community efforts. The partnerships created by local currency systems can help foster a greater sense of community identity. Often, these partnerships result in an exchange of knowledge and skills.

Obstacles and Challenges

- ❑ Lack of support
To make the local currency system viable, enough community members and businesses have to participate in the exchange. In some cases, businesses might be reluctant to become involved and might be skeptical about using an alternative currency system.
- ❑ Poor circulation of currency
Local currency might be used for certain services and products more than others. This can block the flow of currency between participants and result in some enterprises benefiting more than others. Recruiting a diverse mix of participants can help prevent currency circulation from becoming stagnant.

Case Study 51: Doole, Dakar, Senegal

The Doole is a local currency network that developed by a small group of women in Dakar. Named after the local currency, the “Bon D’Exchange” now operates in many of Dakar’s districts, and in other communities in the country. Members of this network use a currency for trade within the association valued in hours of time corresponding to the West African franc and US dollar, with which they can do the following:

- ❑ Purchase a wide variety of goods and services (fruits, vegetables, fish, meat, clothes, etc.) at monthly markets and a special store called the Doole Boutique;
- ❑ Purchase goods and services from other network members, including such diverse products and services as electricity, schooling, embroidery and woodwork;
- ❑ Learn skills at the Doole Popular University, where members can take courses in literacy, English, French, data processing and business management; and
- ❑ Work in the collective interest in community gardens and other community projects to earn local currency units from the association.

Currently, the rapidly growing network has more than 600 members and the group is considering developing a health-care program for network members.

Further Information:

Community Exchange Systems in Africa

<http://www.appropriate-economics.org>

Case Study 52: Tianguis Tlaloc Currency System, Mexico

The Tlaloc Community Currency System is a combination between the HOURS system and the LETS System. The Tlaloc System uses printed bills to make transactions easy and allow transactions to take place between people who may not be members. The Tianguis Tlaloc was introduced to the public through neighborhood markets that featured home-made goods and hands-on services to:

Create a network system of producers, service providers, and consumers, which contributes to reorganizing the economy for local community benefit

Create an association that achieves an authentic domestic market improving the production and service capacity of its members, consumer orientation and education, and cultural and ecological activities.

In four years the Tianguis has directly enrolled over 200 individuals and micro enterprises.

Further Information:

e-mail: espacios@laneta.apc.org

<http://www.laneta.apc.org/otrabolsa/inicio.htm><http://ccdev.lets.net/latin/mexico/tianguis.html>

Resource Links

Community Currency Systems Community Exchange Systems:
<http://ccdev.lets.net> LET Systems: <http://www.gmlets.u-net.com/>

EF Schumacher Society – Local Currency:
http://www.schumachersociety.org/frameset_local_currencies.html

Indonesia Community Currency Systems:
<http://ccdev.lets.net/asia/indonesia/indo.html>

Japan, Community Currencies:
<http://www3.plala.or.jp/mig/japan-uk.html>

Uruguay, Red Global del Trueque:
<http://www.chasque.apc.org/aharo/trueque/>

Community Currency USA, Ithaca, New York:
<http://www.ithacahours.org/>

Investment

Action 26. Promoting Foreign Direct Investment

Related Actions: Policy and Regulation; Marketing; Small Business Development Centers; Micro-Credit; Local Inward Investment

Summary

Promoting foreign direct investment (FDI) is an important strategy in LED, where communities attempt to attract foreign investment from elsewhere in a country and/or from other countries. Attracting large manufacturing and service-sector employers into communities can be a difficult task, partly because there are fewer investors than communities seeking to attract them, and because many communities are prepared to offer large incentives to attract investors.

Successful FDI can, however, offer numerous advantages. It can create local employment and increase the tax base of an area, and it can help provide knowledge and institutional capacity. In other situations, however, it can be costly to prepare for, and compromise the interests of the local economy in various areas. LED stakeholders are challenged to balance the immediate and future needs of their own communities with their objective of obtaining FDI.

Making Promoting Foreign Direct Investment work

Modify planning policies and development regulations

Communities can modify zoning and/or other regulations to create development conditions favorable for FDI. For example, investors often prefer edge-of-town sites; therefore, communities might want to change zoning policies to make these sites useable and attractive for a new range of uses, even though they should examine the full implications of such changes.

Include FDI in a strong and diverse LED strategy

A community that seeks to develop a certain industry or a highly specific range of industries will be vulnerable if there are regional or global economic downturns in those sectors. Therefore, a community should try to attract foreign investment in industries that it has advantages in accommodating. Also, the community should continually seek to diversify its development. FDI should form only part of a larger LED strategy, so that the local economy will not become overly dependent on foreign investment.

Create a welcoming environment for FDI

When locating a business, investors often seek the following:

- A stable macro-economic, political and regulatory environment;
- Market access and open competition;
- Readily available sites;
- Appropriate, available and reliable utilities/transportation;
- Skilled labor;
- Local suppliers and resources;
- Appropriate education, training and research facilities;
- A good quality of life; and
- Manageable regulation and taxation systems.

Attracting FDI might depend on developing some or all of these areas. Stakeholders should consider what incentives might be important for attracting stakeholders, and how they can be offered feasibly. Deciding what needs to be done will depend largely on the context of the local area. In The Manual, *Step 3: Situation Analysis* of the LED process will help reveal strengths, weaknesses, opportunities and challenges for developing a more attractive LED environment.

Work with the existing strengths of the community

A community will typically have the greatest success attracting investment in industries where it has a competitive advantage anyway. FDI strategies are more likely to succeed when

- The community has the appropriate hard and soft infrastructure in place or available to support the likely investments;
- Marketing strategies are carefully prepared, budgets are appropriate and follow-up procedures are in place;
- Staff involved in attracting strategic investors have an understanding of investment needs and what their community has to offer; and
- Opportunities are developed to help local businesses. When a new investor is attracted to a community, every opportunity should be taken to encourage the investor to source their supplies locally, enabling supply chain advantages to be used locally. This is most successfully achieved by developing an investor after-care program, designed to ensure that investors are satisfied and given every opportunity to source their inputs from the local community.

Seek to develop stable capital flows

To the extent possible, communities should seek to find long-term capital investments. LED stakeholders should know how long the investment will last, and evaluate the possibility of investment leaving the local community, if possible.

Community Benefits

- ❑ Direct and indirect employment
FDI will generate direct employment by developing businesses in a local area. It will usually also develop indirect employment, particularly in industries related to the ones receiving investment.
- ❑ Increase in wages and the local tax base
Successful LED initiatives will generate new profits for a local economy, which can increase the tax base and the wages of people working in the community.
- ❑ Skill improvement of the workforce
In many cases, FDI initiatives will offer the local workforce opportunities to develop and use new skills. In the process, communities might discover new specializations that can help guide their development.
- ❑ Transfer of “best practices”
FDI provides an opportunity to exchange technical knowledge, policy ideas and other forms of knowledge. What is learned, however, must often be evaluated from the perspective of a different cultural context.
- ❑ Increased awareness of the community
FDI helps raise the profile of local communities. Local areas that have competed successfully for investment in the past might be highly attractive for more investment from the same or other sources in the future.
- ❑ Poverty reduction
Successful FDI initiatives have significant potential to reduce poverty in local areas or entire regions.

Obstacles and Challenges

- ❑ Frustration and failure
Competition for FDI can lead to frustration for communities that are unsuccessful attracting it, or where FDI takes a long time to materialize.
- ❑ Requirements to change policies
There are many potential problems with changing policies to suit FDI. For example, policies to assist development at the urban periphery might contribute to urban sprawl and transportation problems. Potential problems will vary with the situation, but careful consideration should be given to the advantages and disadvantages of attracting inward investors.
- ❑ Expensive incentives might be required
The costs of offering incentives to potential investors might significantly undercut the possible economic gains

of investment. Communities should balance their interest in attracting FDI with their own needs and constraints.

- ❑ Environmental, health and safety standards
A common criticism of foreign investment is that it locates in countries that have relatively relaxed environmental, health and safety standards compared to other areas. Hence, some of the negative aspects of production might be borne by local communities.
- ❑ Pushing out local businesses and entrepreneurs
FDI might disadvantage communities through increased foreign competition in the local marketplace, whereby new businesses and entrepreneurs in the community might displace local, existing ones.
- ❑ Repatriating the profits of FDI
Foreign investors might repatriate the profits made in a local economy to their own home countries. The negative effects of capital drain can be reduced, however, usually when local stakeholders make FDI part of a larger LED strategy.

Case Study 53: FDI and Economic Development in Lesotho, South Africa

Lesotho, a landlocked country in South Africa, experienced strong economic growth throughout the 1990s as a result of political and social stability and FDI. Real GDP growth averaged approximately 4.8per cent per year between 1985 and 1999, and inflation remained relatively stable at approximately 12 per cent throughout the same period. The manufacturing sector contributed strongly to this economic upswing; its contribution to total GDP increased from 12.5per cent in 1991-1995 to about 15 per cent thereafter.

FDI was responsible for most of this gain, due to investments in textiles and clothing, where the most value added was achieved in the manufacturing sector. Also, FDI helped sponsor the Lesotho Highlands Water Project (LHWP), a project to extract and export water, which accounted for 90per cent of Lesotho's total FDI from 1990-1996. The main attracting factors for FDI have been political stability, good macroeconomic policies, a cheap and skilled labor force, tax incentives, and, most importantly, Lesotho's proximity to South Africa's major markets.

Source:

The International Monetary Fund

<http://www.imf.org/external/pubs/ft/wp/2002/wp0261.pdf>

Case Study 54: FDI and Economic Development in Singapore

The city-state of Singapore has enjoyed rapid economic growth over the last 39 years, since independence in 1965. At that time, Singapore faced numerous challenges, such as a lack of natural resources, relatively high unemployment, and a small economic base. Between 1965 and 1980, however, the government introduced several reforms to welcome foreign investment, and developed plans to attract FDI, including the following:

- ❑ A strategic plan to create numerous polytechnic schools and technological universities;
- ❑ Major investments in infrastructure, including new ports, roads, airports and telecommunications;
- ❑ Developing one of the world's most liberal and open-trade regimes;
- ❑ National standards extended for the operation of foreign firms; most industries are open to FDI;
- ❑ Duty-free charges for 98 per cent of the imports entering the country;
- ❑ Import licenses are not required and customs procedures are minimal and efficient;
- ❑ Concrete steps to protect intellectual property; and
- ❑ One of the lowest piracy rates in Asia

Some of the positive impacts of FDI have included the following:

- ❑ Foreign firms have invested heavily in petroleum, chemicals, electric and electronic equipment, transportation equipment and other manufacturing areas;
- ❑ The foreign share of GDP rose from 18% in 1970 to 36% in 1990;
- ❑ The foreign share of manufacturing has steadily risen. Foreign manufacturing grew from 43% in 1965 to 75% in 1994;
- ❑ Foreign companies account for around 74% of output in manufacturing; and
- ❑ Foreign firms account for 85% of all manufactured exports.

Further Information:

Amir Program:

Access to Microfinance and Improved Implementation of Policy Reform

http://www.amir-jordan.org/amir1_web/pril/fdi/singapore_fdi.htm

Resource Links

The Development Gateway www.developmentgateway.org

fDi Magazine <http://www.fdimagazine.com>

The Foreign Direct Investment (FDI) Promotion Centre www.fdicenter.org

United Nations Conference on Trade and Development (UNCTAD) www.unctad.org

The World Bank Group - Local Economic Development <http://www.worldbank.org/urban/led/index.html>

Action 27. Local Inward Investment

Related Actions: Policy and Regulation; Research and Analysis; Local Procurement and “Buy Local” Campaigns; Marketing; Small Business Development Centers; Local Currency or Community Currency System

Summary

Local inward investment consists of actions that help retain existing businesses in the local economic development area. This encompasses a wide range of potential actions that might include the following:

- ❑ Creating a business-friendly environment through training programs, business support programs and assisting local companies with technical advice;
- ❑ Providing improved access to flexible credit options;
- ❑ Bureaucracy reduction programs;
- ❑ Encouraging local economic activity through “buy Local” campaigns (see *Action 6: Local Procurement*); and
- ❑ Hard and soft infrastructure investments to support the local economy.

One of the reasons local inward investment can be successful is that local businesses have already made investments in the local area. However, ensuring that local businesses remain requires a comprehensive, strategic plan to ensure a vibrant and attractive investment environment. Local Inward Investment actions should be prioritized, based on the information gathered during *Step 3: Situation Assessment*, discussed in **The Manual**. While implementing steps to retain Local Inward Investment, it is important to remember that a healthy LED targets a diversified economy; therefore, it is important to create a strategic business environment that sustains a range of industries, companies and business scales.

Making Local Inward Investment Work

Creates incentives and means to support local investment

A variety of steps can be taken to encourage higher local investment. One step is to encourage the formation of local credit unions that can support local SMEs. Credit unions have the added benefit that they can often offer financial services to clients who might not qualify for financial services from other financial institutions (see *Action 24: Micro-credit*).

Another form of generating capital for local investment is tax-favored investment funds such as the Canadian example of Labor Sponsored Investment Funds. Similar to an investment fund, but offering tax incentives for private individuals to invest in small businesses, Labor

Sponsored Investment Funds encourage investment in small Canadian companies. The combination of tax benefits and diversified investment portfolios means that more than 40 per cent of venture capital in Canada is raised through these mechanisms, a critical source of capital for local economic development.

Encourage locally owned industry formation

Locally owned industry is more likely to stay within a local area. There are several innovative LED tools that can encourage this, such as supporting enterprise employee ownership.

Local Exchange Trading Systems (LETS)

LETS involves creating a local currency that can be used to facilitate the exchange of goods and services within a local economy. More information about LETS programs can be found in the Resource Links section and in *Action 25: Local Currency or Community Currency Systems*.

Micro-Credit

In 1993, the Grameen Bank in Bangladesh demonstrated the enormous potential of granting small loans to people too poor to qualify for traditional loans. These loans have provided investment that has stimulated local economies that have replicated the structure of the Grameen Bank. This model now reaches over two million borrowers around the world. See the Resource Links and *Case Study 49* for more details.

Local planning and decentralization

Local Inward Investment requires decision-making capacity at the local level. In order to achieve success, it requires an effective process for local planning, involving co-operation between public and private sector actors.

Community Benefits

- ❑ Maintains community economic stability
By retaining existing economic activity, local areas benefit from a sense of continuity and stability.
- ❑ Local ownership of industry
Encouraging local ownership of industry creates long-term economic benefits by increasing the capacity and skills of the local workforce.
- ❑ Flexible financing of local economic priorities
An effective local inward investment program provides an avenue for funding economic priorities unique to a local

community. It can capitalize on local knowledge to take advantage of community strengths.

Obstacles and Challenges

- ❑ **Avoiding unfavorable economic incentives to retain investment**
Retaining local inward investment is a difficult task. In some instances, it might appear worthwhile to offer substantial tax incentives, subsidies or other incentives to retain investment. However, research has shown that these techniques often fail to benefit local communities, particularly where funding is diverted from public goods and services. Depending on the situation, community benefits cannot be guaranteed, despite incentives given to local businesses.
- ❑ **Long-term vision, short-term decisions**
As local conditions change, so, too, will the basis for the local economy. Thus, the local economic base will naturally change over time. Local inward investment decisions need to balance, creating an economically vibrant environment over the long-term with the immediate needs of the economy.
- ❑ **National policy**
A local inward investment strategy must be coherent with regional and national economic policy. It is important that a local economic development strategy complement, and not compete with, other policy objectives.

Case Study 55: Vancouver City Savings Credit Union, Vancouver, Canada

Vancouver City (VanCity) Credit Union, located in British Columbia, Canada, has grown into one of the largest financial institutions in the region. VanCity's business activities are designed to support its own long-term viability, while contributing to the social, economic and environmental well-being of the community. Currently, the credit union has 297,000 members with more than \$8.2 billion Canadian dollars in assets.

The credit union has garnered widespread recognition for its contributions towards socially sustainable and economically sound practices. One indication of the success in achieving its dual mission is the high rates of client satisfaction (voted best financial institution by readers of a Vancouver daily newspaper, The Vancouver Courier) and by being awarded the Business and Industry Award by the International Association of Official Human Rights Agencies.

As part of its commitment to a socially responsible business model, the credit union undergoes a social audit report and makes available its Accountability Report to the general public. The credit union has further strengthened its commitment to living up to its values by adopting an international process standard (AccountAbility, see Resource Links for more details) that establishes meaningful, measurable targets for the credit union to continually improve its operations.

Much of the success of VanCity can be attributed to offering its clients a wide choice in financial services. An example of a wonderful LED tool is VanCity's Community Investment Program (CID). This program enables investors to place their money in pre-screened, local economic development programs. In exchange for knowing where and how their money is invested, and how it is helping their community, investors are given a fixed, but lower-than-market return on their investment. This enables VanCity to lend these funds at better-than-market rates to selected groups to benefit the local community. The program has raised \$1.86 million Canadian dollars for local investments in British Columbia, and has a sister program that has raised \$2.13 million Canadian dollars for international, community-based lending projects. This program provides concrete evidence that there are a significant number of local investors who are willing to accept a lower rate of return in exchange for assisting local economic development in their community.

Further Information:

VanCity Centre Mailing Address:

PO Box 2120

Station Terminal

Vancouver, BC

Canada V6B 5R8

Tel.: (604) 877-7000

Web: www.vancity.com

Case Study 56: The Gate Project, Turin, Italy

The Gate project focuses on the economic regeneration of a local market located in the center of historic Turin, Italy. The market is home to more than 1,000 traders, and is visited daily by up to 40,000 people. In spite of its dynamic market, the local area was experiencing declining levels of employment, higher-than-average crime and overall urban decay.

In response to these issues, the Gate project was initiated. It is a partnership between the public and private sectors that aims to enhance the local area, support local employment and encourage people to remain in the area.

One of the project's specific actions to encourage local inward investment was the creation of a quality standard for locally produced fruits and vegetables. By helping to raise the quality of these goods, it is hoped that both farmers and merchants in the market will benefit from higher prices for these products. Other actions include upgrading market facilities (see *Action 7: Simple Upgrading of Local Business Areas* and *Action 18: Town Center/Business Areas Enhancement* for more ideas) and organizing regular antique fairs. Assisting local merchants to organize new fairs demonstrates how encouraging local inward investment does not necessarily involve significant capital expenses, yet still creates a positive local economic development result. In all, the project expects to create 100 new jobs.

The project has also sought to extend the benefits of Local Inward Investment by increasing local community capacity through the creation of a community-accessed Web site, which facilitates the discussion and sharing of new ideas to improve the local economy. This has provided a forum to increase the local communities' participation in the project, as well as linking the positive experience created in Turin with other communities in the region.

Source:

The World Bank

http://www.worldbank.org/urban/lled/eu_italy.html

Resource Links

Institute of Social and Ethical Accountability
Unit A, 137 Shepherdess Walk
London N1 7RQ
United Kingdom
Tel: +44 (0)20 7549 0400
Fax: +44 (0)20 7253 7440
email: secretariat@accountability.org.uk
<http://www.accountability.org.uk/>

Local Investment Fund
123 Minorities
London
EC3N 1NT
Tel: 020 7680 1028
Fax: 020 7488 9231
Email: information@lif.org.uk
<http://www.lif.org.uk/>

The Grameen Bank
Grameen Bank Bhaban
Mirpur, Section-2
Dhaka-1216, Bangladesh
Tel.: 8802-9005257-68
Email: grameen.bank@grameen.net
<http://www.grameen-info.org/>

Broad-based Actions

This final section reviews larger LED programs referred to as *Broad-based Actions*. These are more comprehensive approaches, or sector-theme (e.g., informal sector, tourism) specific alternatives that incorporate many of the previously outlined actions in an integrated program. Although they can be more expensive and complicated to co-ordinate, broad-based alternatives generally bring significant results, given their comprehensive and integrated nature. Examples of *Broad-based Actions* include informal economy, sustainable tourism and urban-rural linkages.

Action 28. Support for the Informal Sector

Related Actions: Incubators; Micro- and Small-Scale Enterprise (MSE) Development; Micro-Credit

Summary

The informal economy is comprised of economic activities not recorded and not subject to formal rules of contract, licensing, labor and taxation. The activities are often small scale, labor intensive and reliant on indigenous resources. They typically include skills acquired external to the school system and are unregulated and competitive. The informal economy includes businesses that are

- Involved in manufacturing activities and service provision, e.g. maintenance, repair, food preparation, construction and transport
- Unregistered and out of compliance with legal standards;
- Often operating from semi-permanent locations such as public space or in urban areas; and
- At subsistence or poverty levels.

The informal economy is a growing part of local and national economies. Although incomes earned in the informal economy are generally very low, collectively, they are valuable and can form a substantial portion of national, regional, city-level economies. Informal economies contribute directly to poverty reduction by providing 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 labor and public health and safety.

Making Support for the Informal Sector work

Explicitly study the local informal economy

Any analysis of the local economy (See *Step 3, Situation and Analysis* in the **Manual**) should explicitly include the informal economy. This is important for planning for the informal economy.

Improve infrastructure

Local authorities can improve their physical infrastructure to better incorporate the informal economy in the regular economy (see *Action 15: Physical Infrastructure Investment*). Physical improvements can include the development of markets for street vendors, the provision of street furniture, improved utilities (e.g. water, electricity, sewage, etc.), better policing to protect the informal economy against crime and violence, and improved transportation services to offer better access to markets and delivery nodes.

Offer resources

Local authorities and their partners can offer better access to financial services (especially micro-credit) and training programs (e.g., management, health, accounting, etc.) to those in the informal economy. Public health resources and programs are an important part of this component.

Develop policies and regulations to benefit the informal economy

A local authority should not only promote the informal economy, but also recognize its economic importance and employment significance. Policies and programs can be developed to help the informal economy improve its purchasing power (e.g., co-operative buying) and the local authority can assist certain sectors within the informal economy by providing access to greater economies of scale (e.g., through the provision of municipally coordinated recycling and salvage centers). These policies might be general in nature but account for impacts on the informal economy. Alternatively, specific bylaws and regulations can be designed.

Develop gender responsive policies and programs

New sectoral policies and programs need to be context-specific and account for how history and past policies have presented both opportunities and barriers to the informal economy. In particular, it is important to be gender sensitive, given the important role of women in the informal economy. Informal workers should be involved forming policy through democratic processes that involve all stakeholders.

For LED benefits to be distributed across all socio-economic groups, it is necessary to take measures targeted at marginalized or disadvantaged groups of individuals such as ethnic minority groups, the urban poor, women, redundant workers, the long-term unemployed and youth. Often these groups are involved in the informal sector to some degree.

The World Bank has developed a listing of possible projects, including the following:

- ❑ **Language training**
This is a key issue where there are groups of foreign workers and minority communities. Outreach programs are often successful.
- ❑ **Skills retraining and job placement programs**
Skills retraining should be done using a demand-led approach, e.g. businesses need to be involved in articulating the skills needs. There is little point in retraining individuals in skill areas for which there is no local demand. Job placement programs assist individuals in acquiring the skills they need to access jobs and assist in identifying opportunities.
- ❑ **Raising educational achievement**
This is usually an issue for an entire city, but specific communities might need extra support.
- ❑ **Enterprise training**
Many disadvantaged groups have both high unemployment and a large proportion of workers in the informal sector. Basic training in terms of business management, finance and marketing can have a significant impact on these communities.
- ❑ **Helping women to access employment and self-employment programs**
Projects could include skills development, confidence-building programs and provision of crèches and after-school clubs.
- ❑ **Micro-enterprise lending programs**
This area of activity is also well suited to assisting disadvantaged groups to access self employment.
- ❑ **Work experience and teacher/pupil placement schemes:**
These schemes involve teachers and students working for short periods of time in businesses to gain work experience. Teachers do this to gain a better understanding of workplace requirements.
- ❑ **Developing mentor programs**
The premise behind mentorship programs is that more experienced business people mentor new starters and give them support, encouragement and ideas. Mentor

programs can be very informal, and are a way of helping individuals to start their own business.

- ❑ Health awareness programs
Often the most disadvantaged suffer from the worst health. Besides the direct effects on individuals, poor health becomes a serious, limiting factor when trying to access work. Health awareness programs can be closely targeted at, for example, specific schools, communities and so on. They might also be delivered through community resource Centers. HIV/AIDS programs will be a priority for many LED programs in areas affected by the epidemic. Prevention and care reduce the negative burden imposed on families – particularly the poor.
- ❑ Development of community resource centers
The purpose of these Centers is to gather together information, support and services to meet the needs of the local community. These Centers do not need to be sophisticated. Services might include everything from health care, education services, business advice on paying taxes, play areas for children and so on.

Community Benefits

- ❑ Supports broader range social development initiatives
As the informal economy tends to disproportionately involve the working poor, women and children, support programs can also help address important social development issues associated with these groups and reduce poverty.
- ❑ Supports local economic development
The informal economy is full of ready entrepreneurs who could increase their contribution to the socio-economic development of their locale or region with proper training and support.
- ❑ Builds local tax base
By developing and formalizing certain components of the informal economy (e.g., scrap metal collection or street market development), a local authority can expand its tax base through user fees charged for upgraded and centralized facilities.
- ❑ Supports environmental and public health programs
Some informal economies might pose significant environmental and public health problems (e.g., auto repair, electrical component salvage). By supporting these areas of the informal economy with public health and environmental programs (e.g., used motor oil collection,

chemical hazard training), important public health and environmental issues can be addressed and working conditions can be improved.

Obstacles and Challenges

- ❑ **Complexity of formalization process**
The transition from extra-legal to legal is complex and might require change in the regulatory environment, including changes to zoning, municipal regulations and land use planning.
- ❑ **Expensive infrastructure upgrades**
Infrastructure improvements like new roads, street markets and utilities upgrades are expensive and time consuming.
- ❑ **Backlash from formal sector businesses**
Businesses in the formal sector might resent the time and money spent on improving the informal economy, particularly if the informal economy is not required to pay municipal fees or taxes. Informal operators might also not desire government intervention and regulation.
- ❑ **Management Costs**
The regulation and registration of new businesses will likely be expensive and time consuming, particularly during the start-up phases.

Case Study 57: Informal Labor Organizations, Shanghai, China

With the intensification of state enterprise reform from the mid-1990s onwards, the Chinese Government has taken an increased interest in the informal economy as a way to address unemployment. The Shanghai municipal government has proceeded furthest in creating a favorable policy and regulatory environment for promoting the informal economy, and is now considered to a pioneering model for the development of the informal economy in China.

The Shanghai municipal government coined the term “informal labor organization”; this describes individual ventures and small enterprises established through its special policies and measures to encourage the informal economy and to distinguish such ventures from both registered self-employed and private companies. A set of specific facilitating policies and measures, adopted by the Shanghai municipal government to promote the informal economy, includes

- ❑ The extension of basic social insurance to employers and employees in informal labor organizations;
- ❑ Training opportunities for employers and employees in the informal economy in subjects such as business start-up, business theory, and technical skills such as hairdressing, TV repair and domestic household work;
- ❑ Preferential tax policies exempting informal labor organizations from local taxes and non-statutory social insurance contribution payments for three years;
- ❑ Entitlement to contribute to risk insurance;
- ❑ Assistance with obtaining credit;
- ❑ Establishment of public works programs;
- ❑ Creation of a voluntary network of experts to assist informal labor organizations; and
- ❑ Creation of the “4050” project, targeted at laid-off workers more than 40 and 50 years old.

By September 2001, over 14,364 informal labor organizations had been established in Shanghai. Challenges still being addressed include issues of management capacity, support systems, training infrastructure, policy environment, access to credit and employee representation.

Further Information:

Good Practice Study in Shanghai: Employment Services for the Informal Economy,

Jude Howell, International Labor Organization Report, December 2001

Case Study 58: JAMPRO Productivity Center, Kingston, Jamaica

The JAMPRO Productivity Center was developed to enhance human resources for industry and to create linkages between small and informal businesses and larger enterprises. It also focuses on environmental issues such as waste and energy management as a means of increasing efficiency. The Center assists small informal businesses to develop, and offers a range of services from simple advice to technical support and design services. Clients are interviewed through a formal screening process designed to assess their needs. If need is determined, a program of training is designed and implemented.

The programs include entrepreneurial skills such as product development, accounting, bookkeeping, marketing, negotiation techniques, preparation of business plans and subsequent referral to lending institutions like the Micro Development Agency and the Self-Start Fund. Apart from training in small business management skills, JAMPRO operates a Business Development Clinic, which offers training in legal and tax issues. The Clinic also provides product design and development, and product engineering and human resource development. Participants pay a minimal fee, as the government funds the organization. The success rate of the JAMPRO projects is evaluated by the strength of the economic linkages that they foster, the benefits to the community, the number of new projects that result from the training, and the revenue generated as new projects open up.

Further Information:

The Jamaica Productivity Center

jpcweb@jampro.org

www.jamaicaproductivity.org

Resource Links

Local Employment in the Informal Economy: Course Guide for Staff in Local Governments and Partnership Organisations, International Labor Organization, 2001
<http://www.ilo.org/seed/ppp>.

Improving Safety, Health and the Working Environment in the Informal Sector, International Labor Organization, 1999 part of the PATRIS (Participatory Action Training for Informal Sector Operators) program <http://www.ilo.org/public/english/protection/safework/sectors/informal/patris/patrisop.htm>

Supporting Workers in the Informal Economy: A Policy Framework, by Martha Alter Chen, Renana Jhabvala, and Frances Lund, Paper Prepared for International Labor Organization Task Force on the Informal Economy, 2001, <http://www.wiego.org/papers/policypaper.pdf>

United Nations Economic and Social Commission for Asia and the Pacific
http://www.unescap.org/huset/urban_poverty/

Action 29. Sustainable Tourism Development

Related Actions: Policy and Regulation; Marketing; Skills Training Center; MSE Development; Physical Infrastructure Investment; Clusters; Co-operatives; Partnerships

Summary

Sustainable tourism occurs when a local area pursues activities to develop their tourism industry with an emphasis on balancing economic returns with poverty alleviation, resource protection and the interests of local residents. Recently, sustainable tourism has emerged as an increasingly important part of the economy because it is not so dependent on financial capital or major infrastructure and is, therefore, an entry sector that can achieve quick results for poorer areas. It is also seen as a win-win option, designed to meet the economic needs of a community without degrading the cultural and natural environment. Some tourism investment opportunities include the following:

- ❑ Accommodation: hotels, integrated resorts, accommodation with indigenous communities;
- ❑ Ancillary services: restaurants, bars, shopping, transport;
- ❑ Support services: travel brokering, information centers, professional services;
- ❑ Tourism enterprises: interpretive tours, adventure activities, sports, historical site visits; and
- ❑ Infrastructure: roads, electricity, water, sewage.

Making Sustainable Tourism work

Develop appropriate policy and regulations

To encourage sustainable tourism development, it is important to create policies that promote and reward best practices while controlling negative development (see *Action 1: Policy and Regulation*). These policies should ensure community participation in tourism planning and the protection of natural and cultural resources of the local area (see *Step 2: Stakeholders and Participation* in the **Manual**). Mechanisms to support policy might include educating and training local residents, developing standards and guidelines and instituting zoning bylaws. The earlier in the tourism planning process these are instituted, the better.

Minimize leakage

It is important to find mechanisms that retain the profits and dollars spent in the local area where tourism takes place. With many forms of tourism 50-

90per cent of each dollar spent “leaks out” of the local economy via foreign-owned tourism businesses, especially package tours. Although independent travelers spend less overall money, they typically have a per-dollar impact three times greater than a packaged tour traveler. Supporting small, local businesses can reduce leakage. However, small business development alone cannot prevent leakages; small businesses should be supported to enable them to achieve the objectives of sustainable tourism. Many small companies do not have the capital to protect the environment or to provide proper staff training. *Action 22: Partnerships* and *Action 21: Co-operatives* are mechanisms that can be used to minimize leakage.

Develop complimentary products and services, encourage local procurement

Low-cost, complementary products that accompany tourism excursions, transportation and accommodation facilities should be developed. Developing these products often requires little capital and often integrates the informal economy into tourism development activities. With minimal skills training and marketing (see *Action 10: Marketing*), an experiential tourism industry can be created that utilizes local culture, traditions, and cuisine. Examples of these products include guided walks and tours, cultural performances (e.g. music, dance, martial arts) and classes (e.g. language, cooking, dance). These activities contribute to a strong local procurement strategy (see *Action 6: Local Procurement*). Notably, the promotion of the local area should also be a local endeavor (i.e., not outsourced to outside organizations) to the extent possible.

Improve infrastructure

Tourism can often contribute to the overall socio-economic development of a locale through the provision of roads, telephones, water, waste disposal and electricity. These facilities can, conversely, offer access and amenities to new tourism resources. Opening roads and improving modes of transport can enhance the movement of people within a region, boosting domestic and intra-regional travel (see *Action 15: Physical Infrastructure Investment*).

Promote domestic tourism

In many communities, a large part of revenue from tourism will come from domestic tourists (i.e. people from the same region or country). It is important to promote domestic tourism as part of the marketing strategy, in addition to foreign tourism.

Reduce seasonality

The seasonality of tourist arrivals is a major limitation on local employment, tourist expenditure and the overall development of a tourism industry. Strategies to extend the tourism season include promoting festivals, special events, off-season pricing policies and attracting travelers with flexible travel dates.

Spread the benefits of tourism within the region

It is beneficial for local areas to support and link with tourism activities outside their jurisdiction and within their region. If holidaymakers are offered a more diverse geographical and ecological experience within close proximity, they are encouraged to travel further, extending their length of stay and increasing their expenditure. Local governments can accomplish this by establishing products such as parks, heritage trails and cultural sites. Utilizing nature-based and cultural heritage tourism initiatives can create local employment, generate income, conserve resources, utilize local knowledge and maintain cultural integrity.

Local management and community tourism

Local management of tourism products helps promote stewardship of tourism resources and gives local stakeholders a vested interest in the sustainability of the industry (see *Case Study 59* below). Tourism products should be informed by local and traditional knowledge and respect the environmental, social and cultural integrity of destinations.

Respect tourism's limitations

Tourism can be unpredictable and should be seen as only one component of a larger series of development initiatives within any economic system. The fluctuating nature of tourism is not conducive to stability in un-diversified economies.

Community Benefits

- ❑ Increased resources for the protection and conservation of natural and cultural resources
 - Sustainable tourism focuses tourism activity on maintaining cultural and natural resources over the long term.
 - Mechanisms such as heritage site designations and nature parks help to ensure resources are allocated toward protecting the local area's natural and cultural assets.
- ❑ New employment opportunities
 - A range of employment opportunities both in the formal and informal sector often arises from tourism. As tourism grows, these opportunities often become more diverse.
- ❑ Increased community visibility, leading to other economic development opportunities
 - Sustainable tourism can increase the profile of a local area outside its jurisdiction, even internationally. Services and facilities developed for tourism might attract potential investors into the local area for non-tourism-related economic activity.

- ❑ Improved infrastructure and facilities

Private businesses might construct infrastructure to make their operations more attractive to tourists, or governments might construct infrastructure to accommodate increased use of existing infrastructure by tourists. Consequently, these improvements benefit residents.
- ❑ Development of local skills, crafts and services

Tourism development often leads to new demands for local skills, crafts and services. In response to these demands, residents improve and gain new skills. Skills training centers (see Action 12: Skills Training Center) can help residents gain access to professional development assistance.
- ❑ Increased income and improved standard of living

Through improved infrastructure and increased job creation, tourism can be an effective means of improving the standard of living in an area and reducing poverty.

Obstacles and Challenges

- ❑ Commodification

Tourism can turn culture into a commodity when cultural heritage is altered to conform to tourist expectations. This can result in what is known as “reconstructed ethnicity.”
- ❑ Loss of local involvement and control

As sustainable tourism becomes successful, the local and small-scale aspects might become lost to larger corporations as the industry consolidates.
- ❑ Increased demand on local resources

Tourism can increase demand on local resources like energy, food, water and other materials already in short supply. Increased resources (e.g. heating, hot water, exotic food, etc.) are often needed to meet the high expectations of tourists.
- ❑ Infrastructure cost

Tourism development can often require improved infrastructure to function properly. Public spending on infrastructure can limit investment in other areas such as education and health.
- ❑ Increase in prices

Increasing demand for basic services and goods from tourists can increase prices and negatively affect local residents whose income does not increase proportionately.

Case Study 59: Namibia Community-Based Tourism Association, Namibia

Until recently, the tourism sector in Namibia was developed, owned, managed and controlled by a minority, private-sector group, which offered traditional tourism products oriented towards wildlife, desert and wilderness environments, safaris and the heritage of Namibia's colonial past. After independence, the Namibian government began to formulate policies to promote sustainable tourism, community involvement in tourism and natural resource management, including wildlife conservation. The rapid growth of these community-based tourism policies gave rise to the need for an association, the Namibia Community-Based Tourism Association or NACOBTA. NACOBTA was created in 1995 to champion the causes of the poor and to promote the use of the natural and cultural resources as tourist attractions for economic benefit. Currently NACOBTA has 38 member enterprises that include the following:

- Conservancies;
- Camp sites;
- Rest camps;
- Traditional villages;
- Craft centers;
- Museums; and
- Indigenous tour guides.

NACOBTA is directed by a seven-member management committee, with each member representing a specific, community-based tourism enterprise. NACOBTA collaborates closely with the private sector with an aim to spread involvement across the country. The government maintains a liaison role with NACOBTA. The Association offers skill development sessions that

- Improve skills in tourism and tourism-related businesses;
- Promote and market their products in national and international tourism fairs; and
- Involve communities in the management of tourism enterprises.

Some examples of NACOBTA's success include the following:

- Involving young people in tourism development activities;
- Increasing private sector/community partnerships;
- The formation of community-based conservation and management committees;
- An increase in public awareness and understanding about tourism;
- The direct involvement and participation of local indigenous communities;
- Co-operative arrangements among small tourism companies such as
 - training of human resources;
 - marketing and promotion of tourism services;
 - access to financial resources; and
 - negotiation with large tour operators.

Case Study 59 (Continued)

- 17 tourism workshops and training courses over the last three years; and
- 40 new community-based tourism enterprises.

Further Information:

Namibia Community-Based Tourism Association (NACOBTA), P.O. Box 86099, Windhoek, Namibia3, Weberstreet

Tel: +264 (0)61 250 558 Fax: +264 (0)61 222 647

E-mail: office.nacobta@iway.na

[http:// www.nacobta.com.na](http://www.nacobta.com.na)

Case Study 60: Job Creation Through Tourism Program, Cape Town, South Africa

In Cape Town, South Africa, tourism is an ideal industry for economic development, community participation and empowerment. The Community Based Tourism Development Fund, a project initiated by the City of Cape Town, is part of the city's commitment to kick-start tourism and increase job opportunities for the disadvantaged. The intention is to encourage local involvement in tourism projects by offering skills training, employment and funding. The goals of the project are to

- Create community-based tourism infrastructure;
- Manage cultural heritage resources; and
- Design and develop goods and services to attract tourists to disadvantaged areas.

Projects are designed to include the following:

- Benefits for previously disadvantaged individuals or communities;
- Broadened participation in the economy;
- Viability and sustainability, captured in a business plan;
- Value for money/leverage;
- Measurable impact — must meet job opportunities targets; and
- Clear target groups and demonstrated demand.

Some of the funded projects include three Tourism Development Centers, an adventure tours company, a craft market and two museums.

Further Information:

*City of Cape Town, Economic Development & Tourism Directorate
9th floor, 38 Wale Street, Cape Town*

Tel: 487 2873

Econdev@capetown.gov.za • <http://www.capetown.gov.za>

Economic Development, Tourism and Property Management, City of Cape Town, October 2001

<http://www.capetown.gov.za/econdev/downloads/achievements.pdf>

Resource Links

How to Accelerate Local Tourism Clusters: A Manual for Tourism Development Officials.
<http://www.nedlac.org.za/research/fridge/tourism/>

Pro-Poor Tourism Strategies: Making Tourism Work for the Poor, Ashley, Roe & Goodwin
http://www.odi.org.uk/pptourism/ppt_report.pdf

Action 30. Urban-Rural Linkages

Related Actions: Policy and Regulation; Skills Training Center; Co-operatives; Partnerships; Institutional Co-operation Mechanisms; Support for the Informal Economy

Summary

Urban and rural linkages are connections between rural and urban areas that facilitate the transfer of goods and services human resources, and knowledge between them. They are also links through which regional governance can be established.

Creating strong urban-rural linkages helps facilitate the economic development of rural and urban areas by connecting the human, financial and manufactured resources in urban areas with the natural resources in rural areas, among other goods and services.

Urban-rural links can help realize many of the objectives of local and regional development, by increasing the economic autonomy of both urban and rural areas, and a region as a whole. From the rural perspective, improved access to services in urban areas, such as education, training, health care and other services can help slow the migration of rural residents to urban areas, which is a challenge for many countries. Vibrant and stable rural communities have a stake in the long-term health of rural ecosystems and economies, helping them effectively manage their own local economies. Urban-rural linkages, therefore, have significant potential for poverty reduction.

Making Urban-Rural Linkages work

Establish a network of urban centers and rural areas

Urban areas should be networked to rural markets surrounding them, to the extent possible. One effective way to do this is through Rural Market Centers (RMCs), which are localities (usually towns and villages) in rural areas that are the nodes of economic, administrative and social activities/services for several rural settlements in close proximity. They can serve as hubs for contact between urban areas and more dispersed rural areas. *Case Study 61* discusses the Rural Urban Partnership Program in Nepal, which uses RMCs to create effective networks.

Establish trade links

To facilitate greater economic interaction, urban and rural areas should create trade policies designed to increase interaction between them. Community development activities at the local level, such as neighborhoods and villages, can help develop new trade partnerships where urban businesses connect

with rural businesses to develop direct trade networks and relationships. RMCs might serve an effective role in developing these links, but several options are possible.

Establish a cooperative governance framework, taking a multi-stakeholder approach

Numerous stakeholders in both urban and rural areas should be involved in developing urban-rural networks. These include local enterprise owners, rural/urban labor groups and local and regional governments, among others. *Step 2: Stakeholders and Participation* in **The Manual** and *Step 2A* in **The ToolKit** provide methods for identifying stakeholders who should likely be involved in this process.

An urban government and the rural municipalities surrounding it can establish a governance and policy framework for co-operation that sets out goals and objectives of rural-urban partnerships and collaborations, and also creates terms and conditions for those partnerships (see *Action 22: Partnerships*). Rural and urban governments should draft a variety of agreements for their interaction, so that rights and responsibilities are clearly stated. An example of an agreement is a Memorandum of Understanding (MOU).

Community Benefits

- ❑ Opens up direct access to urban markets for rural stakeholders
This can be very helpful for spurring economic development in rural areas and helping urban areas obtain necessary goods and services more easily.
- ❑ Provides better access to credit and other financial capital for rural areas
By having easier access to financial institutions, many of which are located in urban areas, rural areas might be able to obtain credit for development projects outside the urban area.
- ❑ Slows or reverses migration to urban areas from rural areas
Rural-to-urban migration is a prevalent trend in many countries, but strong urban-rural links might help reduce the speed of migration into cities by strengthening the economies of rural areas.
- ❑ Provides government services to rural areas
With strengthened links, it is easier for regional, state/provincial and national governments to provide services to rural areas. Strengthened links can also provide an opportunity for urban areas to help rural centers administer services, as might be agreed upon by the terms of their collaboration.

- ❑ Provides affordable, quality goods to urban and rural residents

Inherently, an attractive factor for urban and rural integration is that many goods and services can be acquired more cheaply locally than they can be obtained from abroad or outside of the region.
- ❑ Reduces transportation costs and environmental impacts of transporting raw material long distances to urban markets

When urban-rural linkages succeed, urban and rural centers will be more compelled to obtain goods and services from one another. This will help lower the transportation requirements for goods and services, which can lower the economic costs and environmental impacts of transportation.
- ❑ Increases employment opportunities for the urban poor in rural areas, and vice-versa

Employment can be created through the economic connection of urban and rural areas, allowing rural workers to benefit from the urban economy without actually having to move there, and vice-versa.
- ❑ Greater rural autonomy

The process of urban-rural linking often strengthens the local economies and governmental autonomy of rural areas. This allows them to control their resources more efficiently, with a greater degree of independence.

Obstacles and Challenges

- ❑ Political will

Strengthening links between rural and urban areas can be a lengthy process, which requires mutual trust and commitment. Lack of political can impede the process by creating distrust and hesitancy to make changes.
- ❑ Exploitive relationships

There is a potential for exploitive relationships to develop if there is not equal decision-making power in both urban and rural areas.
- ❑ Over-dependence of rural areas on urban areas, or vice-versa

Increased urban-rural interaction might create overdependence, often where rural areas become reliant on urban governance and financial management. Defining a comprehensive list of terms and conditions for interaction, which retains autonomous governance at the local level in urban and/or rural areas, can help avoid this problem.

- ❑ Might promote unsustainable practices
Programs can promote destructive agricultural and manufacturing practices driven by profit if guidelines and regulations for suitable activities are not established.
- ❑ Potential conflict
There is the possibility of conflicts when rural areas are not properly included in the process of creating urban-rural links.

Case Study 61: Rural-Urban Partnership Programme (RUPP), Nepal

The Ministry of Local Development in Nepal initiated RUPP in 1997 to develop rural-urban linkages throughout the country. RUPP is designed to promote local development in rural and urban areas that benefits the poor, promotes good urban governance, strengthens entrepreneurial activity and strengthen links between urban and rural economies. The strategy relies heavily on community mobilization, participation, institutional strengthening and training for developing the capacity of rural and urban areas. RUPP is, therefore, based on a network of socio-economic exchange between the urban centers and Rural Market Centers (RMC). The four main objectives of the program are as follows:

1. To strengthen the capacity of municipalities and smaller towns and villages to assist in the formulation of pro-poor (poverty reduction) policies, and prepare them for the increasing level of devolution (a trend of government decentralization prevalent in Nepal);
2. To strengthen the information and communication technology component of the program to promote e-governance and e-commerce initiatives;
3. To increase the market linkages between rural and urban areas and promote entrepreneurship among the poor; and
4. To produce policy guidelines for good urban governance, based on program successes.

Activities in RMCs are intended to enhance and improve the socio-economic condition of rural inhabitants by utilizing the existing potential for urban/rural linkages. Urban-based local development strategies involving rural markets and urban centers need to be developed to provide the required markets and other services needed to strengthen rural economies. In Nepal, rural market Centers (RMC) lying within the market zones of the partner municipalities are identified as those localities or cluster settlements that offer services (e.g. economic, social, administrative, financial, etc.) to the inhabitants living in their hinterland areas.

The program has adopted four innovative action strategies:

Case Study 61 (Continued)

1. Management and Policy Support at the local and national level for (a) the development of a well-articulated network of urban Centers, rural market Centers and villages for linking their production and consumption systems; and to (b) create conditions for better urban governance for better delivery of services and products. Development of an appropriate information system and communication (e.g. staff training) is key to improve management;
2. Development of Decentralized Social Institutions, including community-based economic enterprises, to participate in strengthening rural-urban interactions. Social capital formation and empowerment through the community mobilization process have been taken as an entry point while training, credit and seed grant funds are provided for their socio-economic development. To make such a process sustainable, a Market Development Fund (MDF) is established;
3. Private Efforts (partnership) are mobilized for the provision of urban goods and services to facilitate the optimum utilization of rural and urban social and economic opportunities for local development; and
4. Rural Labor Linked to Industrial/Commercial Establishments. Technology transfer and skill development initiatives are keys to establishing such linkages. All these action strategies are directed to (a) alleviate poverty with a focus on the poorest communities, enabling them to mainstream into the development process; and (b) create conditions for women to enhance their roles in social and economic development.

Further Information:

Rural-Urban Partnership Program

www.rupp.org.np

Case Study 62: Poverty Alleviation through Rural-Urban Linkages, Indonesia

Poverty Alleviation through Rural Urban Linkages (PARUL) started in 1997 as a pilot program to test how to create stronger linkages between urban and rural areas in Indonesia. PARUL was formed because weak links have been a significant impeding factor for LED, particularly in rural areas isolated from cities. Five projects were incorporated in the planning phase, but in 2000, the project added eight provinces and was renamed the Partnership for Local Economic Development (PLED). The principles of PARUL/PLED areas follows:

- Promote LED-based exports out of the region;
- Focus on particular clusters of economic activities associated with key export commodities;

Case Study 62 (Continued)

- ❑ Apply a “market driven” approach to local economic planning and development;
- ❑ Link small-scale producers to broader markets through collaboration with larger-scale enterprises;
- ❑ Establish public–private partnerships to formulate action plans, mobilize resources and implement the plans for promoting local economic development; and
- ❑ Empower farmers, fishermen and small and medium entrepreneurs through their participation in planning and decision-making in the public and private partnerships.

The program has been designed to create action plans to fulfill these objectives. Public-private partnerships and urban-rural partnerships were required to make these plans. As of 2001, the achievements of PARUL/PLED were the following:

- ❑ Establishing a public-private partnership at the provincial and district level in all pilot regions;
- ❑ Improving insights into urban-rural interactions at the national, regional and local levels, and providing a better understanding of how such linkages can be strengthened through partnerships;
- ❑ Developing an analytical methodology for understanding rural-urban linkages and defining appropriate interventions;
- ❑ Defining an initial stage of implementation of the proposals for actions and initiatives to expand production and trade among clusters of associated economic activities;
- ❑ Developing an overall framework for applying a rural-urban linkage approach to planning and development that can be adopted in other projects in Indonesia; and
- ❑ Contributing towards the development of a national strategy for poverty alleviation, regional development, and responding to economic crisis.

Sources:

http://www.parul-led.or.id/e_overview.htm

Making Cities Work-

http://www.makingcitieswork.org/www/files/docs/LED/LED_Primer.

Resource Links

Urban-Rural Linkages

International Institute for Environment and Development - Rural-Urban Home
http://www.iied.org/rural_urban/index.html

Strengthening the Urban-Rural Connection

Heartland Center for Leadership Development
941 O Street, Suite 920
Lincoln, NE 68508
Tel:: (402) 474-7667
Fax: (402) 474-7672
Email: info@ruralurban.org
<http://www.ruralurban.org/>

UK Department for International Development

Key Sheets on Sustainable Livelihoods Urban-Rural Linkages
http://www.keysheets.org/red_10_ruralurban.html

UN-HABITAT Rural-Urban Linkages Programme

Urban Economy and Finance Branch
Tel: (254-2) 623041 Fax: (254-2) 624266/67
http://www.unhabitat.org /cdrom/unhabitat_cdrom/html/programmes_rural.html

The World Bank Group World Bank Urban-Rural Linkages and Interactions

Policy implications for development planning and poverty reduction
<http://www.worldbank.org>

Action 31. Invest in Natural Capital

Related Actions: Policy and Regulation; Research and Analysis; Local Procurement and “Buy Local” campaigns; Physical Infrastructure Investment; (Eco) Industrial/Business/Science Parks; Sustainable Tourism Development; Support For the Informal Economy

Summary

Investing in natural capital involves the replenishment, conservation and/or more efficient use of natural goods and services. These projects are predicated on maintaining or improving natural resources; creating or preventing the loss of revenue by using natural goods and services more effectively and efficiently; and being creative about maximizing economic benefits while enjoying and protecting other values.

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 water) that are essential for everyday life. Investing in resources (e.g. tree planting, reef protection/development) and services (e.g. 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) can provide innovative ways of achieving economic returns, environmental benefits and community and social gains. A key task is choosing what actual projects to undertake among the many options for investment available.

Making Investing in Natural Capital Work

Research options in-depth

A wide variety of options are available to invest in natural capital in LED. Some of these seek to generate revenue or to prevent the loss of revenue, and some seek both. These include, but are not limited to the following:

I. Investing in resources

Examples:

- Energy efficiency programs;
- Developing low-impact materials;
- Installing low-flush toilets and energy-efficient appliances in buildings;
- Reusing materials from demolished buildings for new buildings (see *Case Study 64*); and
- Waste matching: a system whereby companies, which can use each other's wastes, are identified and matched through a computer system. This is often done in eco-

industrial parks (see *Action 17: (Eco) Industrial/Business/Science Parks*).

II. Investing in natural systems and natural services

Examples:

- Restoring natural ecosystems: wetlands, ground water, vegetative cover, and aquatic and faunal habitat; and
- Creating urban ecosystems: a number of functions can be undertaken in cities to create flows of energy and resources that emulate natural systems, and reduce environmental impact. An example is developing permeable concrete, which has emerged in recent years as a cost-effective construction material in the United States and elsewhere.

Understand that the local economy and local ecology natural-capital LED should be informed by a comprehensive study of the characteristics of the local economy (see *Step 3, Situation Analysis*, in the **Manual**), so that the strengths of the local economy can be maximized, and opportunities for investing in natural capital can be identified. Also, natural capital LED should be informed by studies of the local environment and local ecosystems, depending on how the proposed project might affect the local environment.

Include all stakeholders and foster partnerships

Natural capital investment typically requires the input and co-operation of a variety of stakeholders from the public, private and NGO sector. Collaboration and consensus are required because various parties might need to take actions, provide funding or modify their everyday actions to make a certain project feasible. In the **Manual**, *Step 2 (Stakeholders and Participation)* should provide a good opportunity to identify relevant stakeholders and develop partnerships (also see *Action 22: Partnerships*).

Recognize the informal economy (see *Action 28: Support for the Informal Sector*)

The informal economy can play an important role in natural capital projects in some communities. For example, a thriving waste economy exists in Vietnam, where “waste pickers” create new products out of cans, plastics and other products in the waste stream. Stakeholders should be aware of the informal economy and the impacts it can have for natural capital LED.

Consider long-term impacts and short term impacts

Depending on the approach taken, significant benefits and drawbacks from natural capital investment might not be realized for a long time after an initiative is undertaken. A long-term view is usually needed to have a full under-

standing of the advantages and weaknesses of an initiative, in addition to examining short-term impacts.

Have an on-going monitoring and evaluation process

Stakeholders should agree upon a process for on-going monitoring a natural capital project. The evaluation should be adequate enough to examine the different economic, environmental and social impacts of the project.

Community Benefits

- ❑ **Reduced environmental impacts**
Natural capital projects are based on using natural goods and services more efficiently. Natural resources and services can be used more efficiently, due to protection and/or direct and indirect resource savings.
- ❑ **Revenue creation and revenue savings**
Some effective natural capital projects have the potential to create revenue, such as through the use of waste materials in the production of a sellable product or by reducing inputs into a community or business, thereby reducing costs. Others have the potential to save revenue, such as through the reuse of salvaged building materials. Many have the potential to do both.
- ❑ **Job creation**
People are needed to undertake many of the tasks required in natural capital investment projects. Some projects are labor intensive and create many employment opportunities. Some jobs will be for specially trained people, and some will be for low-income people.
- ❑ **Community pride**
LED projects are designed to achieve the “triple bottom line” of high economic, environmental and social performance; hence, successful projects stimulate a sense of community achievement.

Obstacles and Challenges

- ❑ **Financing**
While many natural capital LED projects can generate profits, initial capital is required to change manufacturing processes, research new ways of conducting businesses or undertake restoration activities. Stakeholders should be prepared for up-front expenses and long-run expenses, even though these can be minimized in some projects.

- ❑ Stakeholder Agreement

Given the range of options available and the significant actions that can be undertaken to change production and consumption in a natural capital LED project, it might be difficult to have stakeholders agree on what actions to undertake.
- ❑ Short term versus long term benefits

Seeking consensus over natural capital investment projects often requires difficult choices over long- and short-term benefits and disadvantages of different development options. For many stakeholders, it is difficult to turn down development projects where short-term benefits appear significant, even if extended forecasts suggest that long-term benefits will be even more significant.
- ❑ Unique community conditions

Although researching successful natural capital investment projects in other communities might be a good way to research natural capital LED, each community is unique in various ways. Decision-making must take into the unique circumstances of each community.
- ❑ Community capacity

Some options available in natural capital LED require technical expertise or other forms of expertise. Some options might also require significant behavioral changes. Communities might not have the capacity to do everything they would like to do.
- ❑ Evaluation

It can be difficult to monitor and objectively judge the success of a natural capital LED project. Value trade offs might be required to decide which criteria are most important, particularly when environmental, economic and social interests conflict with each other.

Case Study 63: Resource Ingenuity for Small Enterprises (RISE), Zambia

Started in Zambia in 2002, the RISE project was undertaken by the Zambia Chamber of Small and Medium Business Associations and Capacity Building International, Germany. RISE is intended to help businesses find ways to use resources and energy more efficiently. The guiding premise of RISE is that Non-Product Output (NPO), the energy and materials not included in the final product of any manufacturing process, should be reduced to the fullest extent possible. This is important because customers do not want NPO and often nor do communities; therefore, it is entirely waste product that costs money to produce and then eliminate. Reducing these products provides opportunities to lower production costs while improving environmental performance.

For any business, RISE follows a nine-step process to find opportunities for improvement, in which the production process is analyzed, stages where NPO is produced are identified, options are considered to reduce NPO, and changes in business operations are implemented. An iterative monitoring process to evaluate the impact of changes is followed thereafter. RISE representatives visit businesses on site, and help them identify opportunities for improving their resource efficiency while generating revenue. They lend expertise required to help identify opportunities for improvement.

Interestingly, however, many of the implemented solutions are quite basic. Here are some examples:

- ❑ 48 hours Restaurant and Bar in the city of Livingstone has turned previously unused potato peelings into fried snacks, installed more energy-efficient equipment, and adjusted the menu moderately, reducing business operation costs by 5% in the process;
- ❑ Menco Textiles in the City of Ndola has cut rejects, started reusing waste materials and reduced monthly electricity bills by almost 40per cent by implementing a quality control system and
- ❑ Livingstone’s Tunya Lodge has reduced electricity consumption by more than 30 per cent, simply by switching off power whenever it is not in use.

Some of these solutions are basic while others are more sophisticated. RISE follows a straightforward evaluation procedure that helps businesses find opportunities to increase their material and energy efficiency.

Further Information:

*Zambia Chamber of Small and Medium Business Association
PO Box 32932
Lusaka, Zambia*

Case Study 64: An Inter-Jurisdictional Commitment to Sustainable Development of the River Ter Basin, Spain

The River Ter basin, located northeast of Catalonia, used to be the economic motor of the region. Today, varied problems affect this territory: environmental degradation; water outflow; loss of biodiversity; destruction of the river basin and its cultural heritage; lack of territorial unity; and a lack of a common policy framework linked to the river. The objective of the Alba-Ter Consortium was to pioneer good governance as well as inter-administrative co-operation between a good number of governmental units at different territorial levels. The consortium aimed to put

into practice the idea that the river basin should be the “management unit” around which territorial, socio-economic and environmental policies should converge. The number of communities adhering to the consortium has been continuously expanding since its foundation, covering more than 90 per cent of the riverside population. By addressing environmental challenges, the basin might well again become the economic engine for the region.

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

Case Study 65: Inn of the Anasazi, Santa Fe, New Mexico, US

In building a hotel, the developers of the Inn of the Anasazi wanted to showcase energy- and resource-saving technologies, strengthen the local community, offer first-class accommodations, be financially profitable and develop a leading hotel in the state overall.

Completed in 1991, the hotel is a 54,000-square-foot [5,017-meter] luxury facility with 59 rooms. It is rated four stars by Mobil and the American Automobile Association, and has embraced a philosophy of sustainability. The developers reused a 1960s steel-framed building that had previously housed the New Mexico State Penitentiary offices and served as a juvenile detention center, and avoided the environmental impacts of building from the ground up in the process. The central location reduces guests' dependence on automobiles during their stay, and helps maintain revenue flows within the local economy. Local and low-toxic materials in construction provide “authenticity,” support the local economy and provide good indoor air quality. Water-saving fixtures, natural daylight and energy-efficient lighting help to ensure resource efficiency. The restaurant supports the regional economy by purchasing produce grown by local farmers — 70 percent of the food is grown from local sources. Kitchen wastes sent to the local pig farm and leftovers are given to food shelters. As a result, the food wastes are a small fraction of what they would be in a similar-sized hotel elsewhere. Special attention is paid to employees who are encouraged to work for community organizations. The hotel has a very low employee turnover rate.

Case Study 65 (Continued)

The hotel has an 83 per cent average occupancy rate. Although the developers attribute a great deal of the hotel's success to superior design and location, they also believe that their careful attention to environmental and community issues has boosted hotel and restaurant performance, in terms of occupancy and revenues, by at least 15 per cent.

Source:

Rocky Mountain Institute

<http://www.rmi.org>

Further Information:

Inn of the Anasazi

113 Washington Avenue

Santa Fe, New Mexico, US 87501

505-988-3030

<http://www.innoftheanasazi.com/index.htm>

Resource Links

Rocky Mountain Institute
www.rmi.org

Natural Step
www.naturalstep.org

Center for Livable Communities
www.lgc.org/clc

Strategy Development

Action Linkages

Designing a LED strategy is exciting. Many options and combinations can be pursued. Each option can be designed to meet the priority objectives of your LED strategy (see *Steps 5 and 6* in the **Manual**). For example, it is possible to develop a skills training center targeted at the urban poor or at the community in general. Similarly, physical revitalization could focus on business areas or in slums as part of upgrading. Some of the actions also complement each other. For example, a business incubator is often included in a small business development center or a micro-credit is part of a micro-enterprise project. The matrix on the following page highlights some of the more prominent linkages. Of course, most any action could be combined with any other action to best achieve local objectives. The matrix is to highlight these links and to provide a starting point for developing strategies.

From Step 6 of the Manual

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).

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.

In most cases, however, a local area will have developed multiple LED objectives and a correspondingly large number of action ideas. In these cases, it will be necessary to refine and organize the actions in greater detail to ensure that the best and most realistic strategy option is developed for the final LED strategy.

How are Strategy options identified?

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

Action Linkages Matrix: (continued)

<p style="color: red; text-align: center;">Related Actions for Advanced Actions</p>	Policy and Regulation		●	●	●	●	●
	Stakeholder Implementation Group		●	●	●	●	●
	Demonstration Project	●	●	●	●	●	●
	Research and Analysis	●	●				
	Study Tours						
	Local Procurement and 'Buy Local' Campaigns		●				
	Simple Upgrading of Local Business Areas/Steetcape Enhancement						
	LED Publications	●	●				
	Knowledge Management	■	●				
	Marketing	●	■	■			
	Incubators			■	■	●	●
	Skills Training Centre			●	■		●
	Micro and Small-Scale Enterprise (MSE) Development					■	●
	Small Business Development Centres			●	●	●	■
	Physical Infrastructure Investment			●			
	Clusters			●			
	(Eco) Industrial/Business/Science Parks						
	Town Center/Business Areas Enhancement						
	Development Linking						
	Creating LED Organizations		●				●
	Co-operatives						
	Partnerships				●	●	
	Institutional Cooperation Mechanisms	●					
	Micro-credit			●	●	●	
	Local Currency or Community Currency Systems						
	Promoting Foreign Direct Investment		●				
Local Inward Investment							
Support of the Informal Sector				●	●		
Sustainable Tourism Development							
Urban-Rural Linkages							

Action Linkages Matrix: (continued)

<p>Related Actions for Advanced and Broad Based Actions</p>	Micro-Credit	●	●	●	●	●	●
	Local Currency or Community Currency Systems	●	●	●	●	●	●
	Promoting Foreign Direct Investment	●	●	●	●	●	●
	Local Inward Investment	●	●	●	●	●	●
	Support of the Informal Sector	●	●	●	●	●	●
	Sustainable Tourism Development	●	●	●	●	●	●
	Urban-Rural Linkages	●	●	●	●	●	●
	Policy and Regulation	●	●	●	●	●	●
	Stakeholder Implementation Group	●	●	●	●	●	●
	Demonstration Project						
	Research and Analysis				●		
	Study Tours						
	Local Procurement and 'Buy Local' Campaigns		●		●		
	Simple Upgrading of Local Business Areas/Streetcape Enhancement						
	LED Publications						
	Knowledge Management						
	Marketing			●	●		●
	Incubators					●	
	Skills Training Centre						●
	Micro and Small-Scale Enterprise (MSE) Development	●		●	●		●
Small Business Development Centres			●	●			
Physical Infrastructure Investment						●	
Clusters						●	
(Eco) Industrial/Business/Science Parks							
Town Center/Business Areas Enhancement							
Development Linking							
Creating LED Organizations							
Co-operatives	●					●	
Partnerships		●				●	
Institutional Cooperation Mechanisms						●	
Micro-credit	●	●	●	●	●	●	
Local Currency or Community Currency Systems	●	●	●	●	●	●	
Promoting Foreign Direct Investment	●	●	●	●	●	●	
Local Inward Investment	●	●	●	●	●	●	
Support of the Informal Sector	●	●	●	●	●	●	
Sustainable Tourism Development	●	●	●	●	●	●	
Urban-Rural Linkages	●	●	●	●	●	●	

