



BUILDING COMMUNITY PROSPERITY THROUGH LOCAL ECONOMIC DEVELOPMENT

An Introduction to LED Principles and Practices



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Ukraine Municipal Local Economic Development Project is implemented by the Federation of Canadian Municipalities and funded by the Government of Canada.

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Preface

If there has been one constant over the past ten years it has been the fundamental and irreversible changes that have taken place in the way economies at the national, regional and local levels operate. These changes suggest that the ongoing task of effecting positive local growth and development has become increasingly more sophisticated and challenging. For those local governments seeking to enhance local prosperity, today more than ever before they understand that success demands their efforts be more thoughtful, ambitious and innovative. To achieve this end they not only require a greater understanding of the dynamic idiosyncrasies of local economic development, but they must also possess the requisite skills and expertise necessary to position their local communities to compete more effectively in today's complex world of new frameworks and new realities.

To be frank there is no shortage of guides of varying levels of complexity all pointing out what local economic development (LED) is and how to go about achieving it. Therefore, simply adding another tome to this vast array of research and reports, insights and advice would seem to lack import. However the truth of the matter is that because the practice of LED is incredibly multidimensional and multidisciplinary, there are few sources where all the essential pieces are pulled together. Moreover because LED is so context and circumstance specific, the variability of foundations set out or implied in many documents more often than not lacks broader relevance.

The purpose of this guide is to add to the understanding of local economic development in a way that is relevant and insightful regardless of context and circumstance. In so doing it is the intent of this exercise to help local authorities and their partners in the private, public and not-for-profit sectors to confidently and effectively move forward in their efforts to foster a more stable and sustainable future for their municipalities. The premise is that all municipalities have the opportunity to shape their own futures in a positive way regardless of circumstance and of the seemingly overwhelming forces of globalization.

A number of important topics will be covered in this guide. Beginning with an exploration of the meaning and purpose of local economic development, the narrative moves to a discussion on the characteristics and determinants of the enabling environment and community readiness for LED followed by a brief overview of evidence-based economic development; an introduction to the principles and importance of strategic planning; a comprehensive discussion on the myriad of LED functions and modalities (i.e., structures and instruments); an introduction and exploration of the importance of building in gender equality and environmental sustainability considerations in LED efforts; and, concludes with a discussion on benchmarking, monitoring and measuring results. For illustrative purposes a variety of international best practices and lessons learned are included. Importantly, the order of topics and the arrangement of various sub-topics within major sections are intended to provide a logical framework to the discussion and are not intended to imply either a linear approach to LED or some hierarchy of themes. Further, the discussion does not intend to provide or imply a specific LED formula applicable in all settings, nor does it introduce a set of rigid rules by which LED must necessarily proceed. Rather this guide is intended to present and explore ideas, provide insights and show practical examples from which an effective and ultimately successful LED program can be uniquely formulated and pursued.

While it was my responsibility to develop this guide, considerable support and input was provided by the Ukraine Municipal Local Economic Development (MLED) Project management team, and various LED specialists from Canada and Ukraine. Of particular note it should be pointed out that the chapter entitled: "Quantitative Forecasting and Comparative Analysis in LED Planning – EBED's Experience in Ukraine" was prepared by the Conference Board of Canada; the chapter entitled: "Gender Equality and Local Economic Development" was prepared by Gender Specialist Ms. Beth Woroniuk; and the chapter entitled: "Environmental Sustainability and Local Economic Development" was prepared by Environmental Specialist Mr. Doug Hickman.

This guide was prepared under the auspices of MLED with financial support from Foreign Affairs, Trade and Development Canada. The Federation of Canadian Municipalities (FCM) is currently overseeing the implementation of the MLED Project in partnership with the Association of Ukrainian Cities (AUC), the Ukrainian Ministry of Economic Development and Trade, and the Ministry of Regional Development, Construction and Housing.

The overriding goal of MLED is to improve economic opportunities for Ukrainians in a strengthened democracy. MLED's purpose is to contribute to improved planning and delivery of services that foster and support economic growth and development. To meet this important challenge, the MLED Project incorporates a diverse array of initiatives and capacity-building efforts in its delivery.

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LEGEND



– definition



– quotation



– best practice or successful experience



– extract

1

INTRODUCTION TO LED¹

Chapter Overview

Defining local economic development is not a simple, straightforward task. Yet it is important to differentiate LED from other similar activities in order to avoid confusion in trying to properly understand the uniqueness of the discipline and the potential of its proper application. This chapter identifies some of the common definitional characteristics of LED and seeks to explain how the process has evolved as it has, i.e. site and municipality specific. It further describes and defines the common foundations of LED, including guiding principles and typical success factors within an LED framework, and concludes with an example of how the important principles of local economic development can assist in transitioning a community from economic malaise to prosperity. The narrative in this section builds from a number of external guides and reports including MLED's recent investigations into LED.

¹ A substantive portion of this discussion of definitions is taken from and builds on earlier work undertaken on behalf of MLED, including: The Evolution Of Local Economic Development (LED) In Canada – A Review Of Concepts, Applications and Best Practices. Prepared by Lochaven Management Consultants Ltd.; 2010.

1.1. Defining LED

As a starting point it is valuable to set out specifically what we mean when we talk about local economic development (LED). In the usual case of preparing a subject specific manual or training guide it is essential to the clarity of the discussion that follows to establish a common definition of the core subject matter. This ensures that there is no inherent confusion around the use of similar sounding terms that appear interchangeable but which in fact operate quite differently.² Surprisingly, in the case of LED and despite its wide application and increasing popularity within both developed and developing economies, there is no one universally accepted definition. The short explanation for this apparent paradox is that LED is itself understood differently within the context of different disciplines, i.e. the social scientist versus the local planner; and because it is undertaken differently within the context of different political and socio-economic circumstances.³

In the absence of a universal definition, LED is more often than not described in terms of its objectives rather than by virtue of a mere definition, as in: “why LED?” versus “what is LED?” In the former instance, LED is viewed as a process⁴ that influences the growth and restructuring of an economy leading to such desirable benefits including but not limited to the creation of jobs, the facilitation of new business start-ups, the strengthening/expansion of existing enterprises, the introduction of new entrepreneurial opportunities for women, and the improvement of quality of life.⁵ To further emphasize the point, consider by way of example the following LED definitions that have some commonalities but are nonetheless different:



LOCAL ECONOMIC DEVELOPMENT (LED)

is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. LED is thus about communities continually improving their investment climate and business enabling environment to enhance their competitiveness, retain jobs and improve incomes.”⁶

“is a participatory development process that encourages partnership arrangements between the main private and public stakeholders of a defined territory, enabling the joint design and implementation of a common development strategy by making use of the local resources and comparative advantage in a global context, with the final objective of creating decent jobs and stimulating economic activity.”⁷

“refers to the process in which the ‘local’ government or some agency, authority or organization on behalf of the local government engages to enhance a community’s (most commonly a hamlet, village, town or city) capacity to effect economic progress in both a quantitative and qualitative manner. Local economic development (LED) refers to the process in which local governments engage to enhance economic prosperity and quality of life.”⁸

² The term “local economic development” is most often confused with: community economic development, business development, regional/local planning and industrial development. There is some commonality amongst all of these terms and some degree of overlap or interdependence. That said, these terms are not synonymous.

³ By way of example: “An important element in the definition of LED from a gender equality perspective is that communities are not homogeneous. They are made up of people with different resources, perspectives, priorities and starting points. A ‘community’ may not always have one perspective. And an important set of differences is often along gender lines.” Beth Woroniuk. MLED Gender Specialist.

⁴ As a process “in the broadest sense [local] economic development encompasses three major areas: (1) Policies that government undertakes to meet broad economic objectives, including inflation control, high employment and sustainable growth. (2) Policies and programs to provide services, including building highways, managing parks and providing medical access to the disadvantaged. (3) Policies and programs explicitly directed at improving the business climate through specific efforts, business finance, marketing, neighbourhood development, business retention and expansion, technology transfer, real estate development and others.” Economic Development Reference Guide, What is Economic Development? IEDC (International Economic Development Council) http://www.iedconline.org/?p=Guide_Overview

⁵ Economic Development Reference Guide, What is Economic Development? IEDC (International Economic Development Council) http://www.iedconline.org/?p=Guide_Overview

⁶ <http://web.worldbank.org/WEBSITE/EXTERNAL/TOPICS/EXTURBANDEVELOPMENT/EXTLED/0,,contentMDK:20185186~menuPK:399161~pagePK:148956~piPK:216618~theSitePK:341139,00.htm>

⁷ Local Economic Development and Post-Conflict Recovery. www.ilo.org

⁸ The Evolution Of Local Economic Development (LED) In Canada – A Review Of Concepts, Applications and Best Practices. Prepared by Lochaven Management Consultants Ltd.; 2010.

Suffice to say there is no one universally accepted definition of LED. However, despite these multiple interpretations, there are nonetheless some obvious similarities and implied common characteristics, including the following:

DEFINING CHARACTERISTICS OF LED

LED is a participatory and inclusive process that involves the participation of a range of stakeholder interests.
LED is a bottom-up approach that is about local people making local decisions about local issues.
LED is undertaken for the purpose of fostering some qualitative and/or quantitative improvement in economic well-being.
LED takes place in a defined territory, most commonly congruent with a political boundary.
LED encompasses the pursuit or facilitation of some manner of economic stimulation.

1.2. Context of LED



"In the past, local development efforts have sometimes failed to achieve anticipated results because they sought simply to transplant one approach from one area to another without paying enough attention to differences in context."

Best Practices in Local Development

Local Economic and Employment Development (LEED)

Organization of Economic Cooperation and Development. (OECD) 22 June 2012

As noted above, the challenge with defining local economic development, and by implication the problems in fully understanding its successful application, has as its basis the context in which LED efforts are developed and implemented. More simply put, LED is defined and somewhat differently applied depending upon the circumstances in which it is introduced. In that regard, the two notable forces that have influenced and will continue to influence the definition, character and application of local economic development into the near future are globalization and decentralization.

In the first instance, and with very few exceptions regardless of where one lives and works today, individual circumstance and well-being are significantly affected by the forces of globalization. On a broad basis these global forces include macroeconomic and industrial restructuring, international capital movements, technological change, and an array of cultural, political and social impacts brought on by the increasing interdependence and integration of world economies and nation states. In terms of their impact these forces of globalization bring with them a wealth of opportunity and prosperity on the one hand and significant socio-economic dislocation and decline on the other. Because these forces vary in relevance and significance between and among individual municipalities they necessarily have an impact on the manner and method by which individual municipalities define and approach LED.

There is also a parallel process taking place that while less visible and less ubiquitous than globalisation is nonetheless an important influence on how LED is defined, approached and applied. Specifically, many countries have adjusted their approach to national, regional and local governance with an increasing number either giving decentralization or devolution enhanced attention or revisiting a more decentralized approach to economic development.⁹ Increased decentralization has resulted in increasing numbers of sub-national players and local governments participating directly in economic development.¹⁰ As with the forces of globalization, decentralization generally lacks consistency from jurisdiction to jurisdiction. That is it tends to wax or wane depending upon a number of factors, including: political circumstances, i.e. the willingness of centralized authorities to devolve some amount of power/authority and the relative willingness of local authorities to assume that authority or some portion thereof; and, economic/financial circumstances, i.e. the depth and breadth of local capacity to strategically and operationally undertake LED efforts.

⁹ While this is particularly true for such countries as Canada, the US and the UK, it is also increasingly evident in many transition countries such as Ukraine. The upshot of this phenomenon is that local governments have become the pre-eminent players in a number of core service delivery and development functions, though they are often shackled by the absence of adequate resources to properly undertake these additional responsibilities. The rationale at the national level in most cases is financial. However, devolution of authority to local governments can bring with it a number of obvious benefits to the economic development effort, including local ownership/control; more inclusive citizens' participation; greater transparency in decision-making; and, in many cases, improved service delivery.

¹⁰ The process of decentralization can be formal, in the case where specific decentralized responsibilities or powers are set out in policy and legislation; or informal, in the case where responsibility is assumed by local jurisdictions, which occasionally occurs in instances where there is a perceived or actual absence of attention or priority afforded by central governments to local economic development issues.

At the risk of overly digressing, it should be pointed out that decentralization need not be a zero-sum game with an offsetting of expenses from one level of government to another without any marginal changes in development benefit. Rather, there is a growing awareness that if properly planned, implemented and managed, local participation in economic development efforts can significantly complement national efforts and may "... deliver greater economic efficiency by mobilizing resources that otherwise may have remained untapped and deliver a large number of social benefits by promoting voice, participation and sustainability across territories where institutional conditions have been far from ideal."¹¹ Of course these benefits will only accrue in those instances where local governments are in a position to play an active role in the development process. For that to happen, an enabling legal and operational framework for decentralization must be in place.¹²

Context emphasizes the very essence of LED and by implication the lack of a universal definition: because there is no commonality of economic, social and political circumstances across local territories or jurisdictions, there is consequently no commonality of purpose, structure, activity or accountability amongst those myriad of individual municipal efforts as regards LED. Clearly, LED means flexible adaptation to the context in which it is being implemented. That said, because LED lacks singular clarity of purpose does not mean that it lacks relevance in terms of shared lessons. The caution in this regard is that LED programming based on a proscribed format of best practices and lessons learned elsewhere needs to be grounded in the context within which those efforts were undertaken and in the context in which they are expected to be applied.

1.3. LED Guiding Principles

There are a number of common guiding principles inherent within every successful LED effort regardless of how LED is defined, structured and implemented. Some of these guiding principles are implied within the defining characteristics of LED; others are inherent within its adaptation and application:

In aggregate these principles suggest that LED means more than just private sector development, higher incomes and economic growth. Premised on local dialogue, LED is about connecting people and their resources to enhance local opportunities and prosperity. LED is about a better quality of life for men and women in a sustainable future.

¹¹ On The Emergence And Significance Of Local Economic Development Strategies. Rodríguez-Pose, Andrés and Tijmstra, Sylvia. CAF working paper #2009/07; July 2009.

¹² In that regard the record is at best mixed: "All too often the participation of local governments in the design of national development strategies is superficial and at best advisory. And while there appears to be some progress in increasing the capacity of local governments to design their own development strategies and plans in a way that is usually aligned to national priorities, these are rarely funded sufficiently to realize implementation or adequately linked to recurrent budgets so as to ensure sustainability." On The Emergence and Significance of Local Economic Development Strategies. Rodríguez-Pose, Andrés and Tijmstra, Sylvia. CAF working paper #2009/07; July 2009.

¹³ The development of LED policy and practice has moved from largely project-led investment attraction for hard infrastructure run by the public sector to multi-sectoral, integrated partnerships and locally specific strategies involving broad-based investments in hard and soft infrastructure and more sophisticated institutional design and delivery systems. Furthering the Local Economic Development Agenda. Gwen Swinburn and François Yatta; 2006.

¹⁴ "The notion of sustainable development enlarges a narrowly construed definition of economic growth based on real income to encompass environmental quality and other aspects of well-being." Sustainability and Economic Development. Local Government Association. <http://www.local.gov.uk>

¹⁵ In some instances, "obtaining the full participation of women in an LED process will require overcoming deeply entrenched discriminatory attitudes and challenging existing power structures." Alternatively, "... where women enjoy relatively equal access to decision-making structures and resources, the LED approach will serve to strengthen their participation in the private sector, paying greater attention to their needs in terms of business development services (BDS), access to financial resources, association-building, knowledge about rights, rules and regulations, etc." Gender Mainstreaming in Local Economic Development Strategies: A Guide. LED Programme and the Bureau for Gender Equality, International Labour Office; June 2010.

LED GUIDING PRINCIPLES

| | |
|---|--|
| <i>LED is a strategically planned process</i> | LED programming is based on an understanding of local economic, political and social conditions; it builds on competitive advantages and local capacities/capabilities; and, it focuses on realistic and relevant short-term and long-term goals/objectives. |
| <i>LED involves integrated interventions across multiple sectors¹³</i> | LED isn't only about one thing and one sector; it involves a multiplicity of efforts across multiple sectors building synergies and linkages that broaden the scope and increase the depth of LED. |
| <i>LED is premised on strong local leadership</i> | Success in LED depends highly on the adequacy and commitment of local leadership. Although there may be a wealth of opportunities, they remain relatively unimportant if there is an absence of leadership and the commitment to move forward. |
| <i>LED is about sustainable development¹⁴</i> | The environment is not separate from the economy and the economy cannot be detached from the environment. Therefore environmental values need to be integrated into LED decision-making. Sustainability is about balancing and building on the synergies between economic growth, social inclusion and preservation of the natural environment. |
| <i>LED is premised on stakeholder engagement/participation</i> | Stakeholder engagement (i.e., including the diverse interests and views of the entire population: male-female; advantaged/disadvantaged; franchised and disenfranchised) in the LED process and the interest it builds is an essential pre-requisite to the strategic planning process and the overall effort required to effect positive change and development. Inclusion ensures that the process is responsive, apolitical, transparent and accountable. |
| <i>LED inclusivity focuses on enhancing gender equality</i> | An essential aspect of any local economic development (LED) effort is that it takes into account the needs, priorities and opinions of both women and men to ensure that both benefit equally from economic prosperity. ¹⁵ |
| <i>LED promotes a strong enabling environment</i> | Inefficient or weak business environments impede businesses from starting up, expanding, modernizing or surviving. A strong enabling environment implies: (1) clear rules and procedures exist, including those that promote long-term plans rather than politically expedient, short-term decisions; and (2) easy business entry and efficient regulation-enforcement. |
| <i>LED involves partnering and partnerships</i> | The challenges of fostering and facilitating strong LED often times places demands on a community that, taken in isolation, exceed the ability of the community to respond. As such there is a necessity to look to other resources and revenue opportunities to help accomplish the tasks at hand. Most successful LED efforts arise from strategies that involve all levels of government, the private sector, public institutions and other interested/affected stakeholders. Working together ensures synergies will be realized, and working together limits the impact of scarce resources and high growth demands. Effective working partnerships are essential prerequisites to realizing a community's vision for economic development. |
| <i>LED emphasizes creativity and flexibility in its approach</i> | Rapid technological, political, social and economic change demand new responses and new solutions. Thinking outside the box is the norm rather than the exception. While every LED strategy should build from proven best practices and lessons learned, it must also emphasize an approach that is innovative, forward looking, creative and responsive to individual circumstances and opportunities. |
| <i>LED knows the importance of existing businesses and pays attention to their needs</i> | Most communities already feature a wide array of businesses, from small private firms to large-scale enterprises. Yet all too often the rush to promote or attract something new ignores the "best" growth potential in the local business sector, which frequently comes from those businesses already located and invested in the region. A proper LED effort should be premised on an improved understanding of the needs and perspectives of local businesses along with an emphasis on making the local business environment more productive, supportive and attractive for these entrepreneurs and enterprises. |
| <i>LED efforts are proactive</i> | Properly structured LED efforts are about more than just waiting for something to happen and not simply reacting when something does. Rather successful LED efforts are proactive and deliberate. |

Chart 1.

1.4. Importance of LED Guiding Principles to Economic Transition

Nowhere is the importance of adhering to the guiding principles of successful LED best illustrated than in the transitioning process undertaken by single industry towns and depressed areas. The experience of such cities as Youngstown, USA; Bremen, Germany; Sheffield, UK; Saint Etienne; France; Torino, Italy; and the Basque Region of Spain (the Mondragon Model) are very well known and documented case studies of economic transition shared amongst LED practitioners.

There are remote and rural communities through out the world as well as large urban centers whose entire socio-economic well-being and survival depend predominantly or exclusively on a single industry or single resource. The dependence on a single industry or resource leaves these municipalities particularly vulnerable to such factors as resource depletion, industry restructuring, shifts in world markets or government policy changes. Particularly troubling of course is that for the most part these macro-economic factors are beyond local control.



CHEMAINUS, BRITISH COLUMBIA, CANADA

The story of Chemainus's successful transition is a classic case study through out Canada. While there are numerous other excellent examples some more current and others more expansive including Elliott Lake Ontario, Kimberly, British Columbia and Pinawa, Manitoba, the story of Chemainus is particularly illustrative and inspiring.

The early history of the Chemainus area is inextricably tied to forestry and the municipality was once home to the largest covered-in sawmill in North America. At its height the local mill directly employed 700 people in a community of 3000. As a one-industry town, the fortunes of Chemainus shifted up and down, in concert with the forest industry and it wasn't surprising that the mill was closed during a major industry downturn.

The mayor of Chemainus at the time, realized that the town needed new ideas and energy to break the town out of its economic malaise. The mayor took immediate action by creating a Merchant's Revitalization Committee for the downtown core. A number of ideas were put forward and considered. One of those ideas suggested the possibilities of tourism development by having large, outdoor murals painted around the town as a theme to grow the sector. Initially this creative idea was rejected but eventually the initiative got the commitment from local stakeholders. Certainly not everyone in the community thought tourism was the solution but the Chemainus Mural Project started anyway. It began with five murals and quickly grew to more than 42.

Today, tourism is a year-round industry, Chemainus is known world-wide as the world's largest outdoor art gallery, and the community draws approximately 400,000 visitors annually. While the murals attracted the tourists, the economic influence of these visitors encouraged young people to migrate to Chemainus in search of work. In addition, older people began to consider the now picturesque town as a retirement destination.

The Chemainus of today has a population of 4,000, or 1000 more citizens than when it was a mill town. The City boasts an array of thriving cafes, restaurants, gift shops, antique stores, and arts and crafts galleries. Recently, a 270-seat theatre, which houses a drama school, opened. In all, more than 70 new businesses took root in the first fifteen years of Chemainus' redevelopment.

Notable Lessons Learned:

- (1) This innovative and creative tourism idea came about as a consequence of broad and inclusive engagement of the community at large including private businesses.
- (2) It required municipal commitment and a proactive, take charge attitude.
- (3) Local leadership and persistence were critical to success. It was the mayor and his team who linked tourism with local economic prosperity, and saw murals as the vehicle to draw the tourists.

The Little Town that Did: Flexible Accumulation and Community Response in Chemainus, British Columbia

Industry restructuring and closures are nothing new. In fact in the case of resource communities, because most natural resources can be exhausted, resource industry closures are an inevitable fact of life. That being said despite the inevitability of change community transition from a past that had depended on a single, large employer to a future based on a new economy is seldom adequately planned for and consequently seldom effectively addressed. In fact transition from crisis to recovery is never assured. The truth of the matter is that while some notable single industry communities have overcome significant challenges to adapt successfully to new economic circumstances; others continue to struggle at length; and, still others simply don't survive. Of course transition is more than just a change, it is a process – a process founded on self-determination. Success in the effort is about adhering to key LED guiding principles particularly: starting early and being proactive; having strong local leadership; conscientious planning; being innovative and creative; collaborating and being inclusive; and especially being persistent in the face of adversity. The case study below illustrates this point.

1.5. Some Closing Thoughts

1. It is useful to know and understand how each community views or perceives LED as this understanding will dictate expectations and strategies.
2. As political, cultural and socio-economic circumstances vary not only from country to country and region to region, but also from community to community, so too does the manner and structure of LED. The contextual framework from which LED is pursued is important to understand for several critical reasons. These include: (a) context defines LED planning and implementation by delineating capacity (quality and quantity of resources available), capability (mandate) and interest; and, (b) context provides the framework from which lessons learned and best practices from a variety of circumstances and jurisdictions might be realistically assessed and, where warranted, pragmatically replicated.
3. Despite the absence of a universal definition of LED and despite the differing circumstances in which LED is planned and delivered, various guiding principles characteristic of most “successful” LED efforts exist regardless of circumstance. Of course, adherence to these principles does not guarantee success, i.e. they are not sufficient conditions in and of themselves, but an absence of these characteristics will certainly diminish the probability of success.

2

LED ENABLING ENVIRONMENT AND COMMUNITY READINESS

Chapter Overview

The enabling environment plays a significant role not only in determining the possibilities and probabilities for overall local economic development success, but also in defining the depth and breadth of LED plans, goals and activities necessary for success to be realized. Understanding what the enabling environment is and how it influences local development, i.e. how the four pillars (economic circumstance and opportunity, social development and social capital, environmental character and sustainability, and institutional structures and mandates) influence the LED process is thus an essential first step in the design and implementation of a realistic LED program. This chapter broadly introduces the concept of the enabling environment and the multitude of factors and issues that it implies. Within the context of LED's broad foundations, the narrative moves forward with a discussion on three particularly critical and pertinent sub-components of the enabling environment: (1) stakeholder engagement and participation; (2) the legal environment; and, (3) LED financing and resourcing. The chapter closes with an introduction to community readiness – what it means, how it is measured and how it can be influenced to more effectively promote and foster local economic development.

2.1. Enabling Environment

Local economic development is built upon four fundamental pillars: economic, social,¹⁶ environmental¹⁷ and institutional (see figure below). Collectively, these four pillars represent the enabling environment. In a practical sense the relative strength/weakness of these pillars or foundations either serve to support or impede overall community prosperity. In terms of LED planning and programming in the pursuit of community prosperity then, it is the enabling environment that plays a significant role in setting out what is realistic and practical in any LED effort.¹⁸

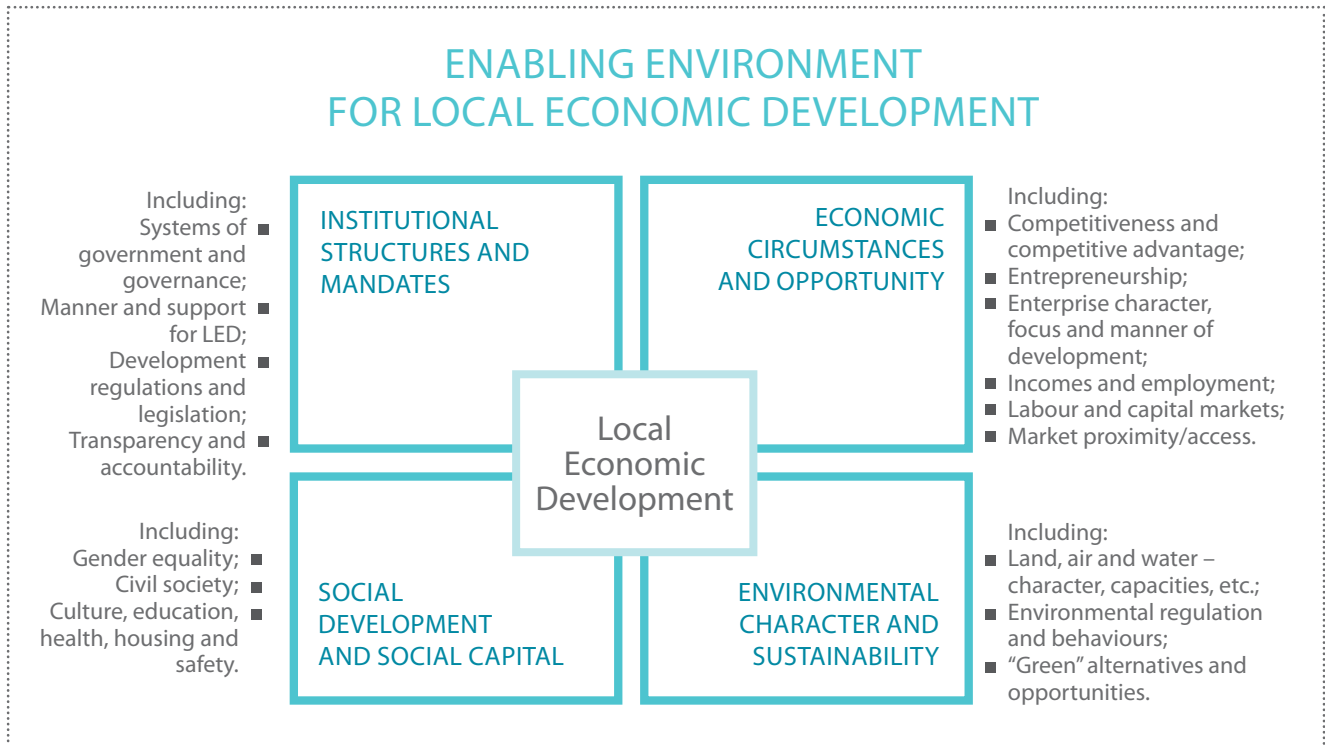


Figure 1.

¹⁶ “Social development is the bundle of technological, subsistence, organizational and cultural accomplishments through which people: feed, clothe, house and reproduce themselves; explain the world around them; and, resolve disputes.” Social capital, which refers to connections among individuals, is an indication of community cohesiveness. The central thesis of social capital theory and its implication to LED is that ‘relationships matter.’ In terms of the pursuit of local economic development, the central idea is that social networks are valuable assets in as much as interaction enables people to build communities, to commit themselves to each other, and to knit the social fabric that is the essence of the community’s identity.” Communities with a good stock of social capital are more likely to benefit from lower crime figures, better health, higher educational achievement and better economic growth. Social cohesion is critical for societies to prosper economically and for development to be sustainable.” Social Development. Ian Morris, Stanford University; October 2010. See also Davis, Gloria: A History of the Social Development Network in the World Bank, Washington D.C.; The World Bank, Social Development, Paper #56; March 2004.

¹⁷ Sustainable development is defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. The premise holds that there is a clear and significant relationship between a healthy environment and successful local economic development. In short, environmental sustainability efforts do not conflict with local economic development efforts. Rather, quite the contrary. Sustainability as a LED pillar is most often associated with cost savings resulting from increased productivity and more efficient use of resources. Sustainable Connections: Strategies to Support Local Economies. National League of Cities. Municipal Action Guide, T. Zborek; 2010. [This topic is explored further in Chapter 6 of this document.]

¹⁸ It should be clarified that while LED activities (programs and services) focus predominantly on economic issues and opportunities, the approach, implementation and ultimately the success of these LED efforts is significantly influenced by the enabling environment in which LED programming is designed and delivered. The following examples illustrate this point: (1) In an effort to attract investment into a community, the availability and manner of financial and cooperative support from other levels of government is often a critical pre-requisite (Institutional Structures And Mandates); (2) In an effort to promote greater local diversification of industry and to build a sustainable legacy of prosperity, the manner and structure of environmental regulations and the possibilities of green alternatives often play a significant role (Environmental Character And Sustainability); and, (3) In an effort to ensure LED is inclusive in design, application and result, the manner in which all stakeholders are engaged is critical (Social Development and Social Capital).

It should be emphasized that the enabling environment is by definition different for each community.¹⁹ Further in respect to understanding the enabling environment and bringing this understanding into account when defining individual LED strategies and actions it should be pointed out that the enabling environment is itself comprised of dynamic attributes; and, its relative impact/influence on individual LED realities and prospects is variable over time. By way of example governments are continually adding, modifying and/or removing various rules and regulations that have an impact on LED. Such legislation might be enabling in one instance but may over some period of time be amended or removed. The enabling environment is concurrently changed with the result that it becomes more enabling (or possibly more restrictive) and by implication the LED effort should be adjusted accordingly. Further, certain components of the enabling environment over time might become less or more critical within the development process. By way of example, industrial development, sectoral or plant specific priorities and needs (e.g. workforce skills, market access, and capital markets) are known to change according to the industrial lifecycle; therefore, a documented strength within the local enabling environment may be more/less significant over time. Once again the LED effort might need to be adjusted accordingly.

For the LED practitioner it is valuable to fully understand, accurately inventory and comprehensively assess the enabling environment in which LED planning and implementation will be premised. It is also especially valuable to make the exercise a regular event, especially during each phase of the strategic planning iteration or review. For this exercise a combination of community profiling (e.g. preparing a community profile) and competitiveness evaluation is usually utilized together with a detailed internal operational assessment. The former identifies and describes key locational attributes (social, institutional, environmental and economic) and the latter assesses each attribute relative to LED priorities, aspirations and capacities. The structure of a typical community profile for a smaller community might look like the one presented in the chart below.

As indicated in the chart, a Community Profile is a summary of baseline conditions (economic, social, environmental and institutional) and trends within a community. For better insight and accuracy it is especially useful to disaggregate data by male/female. As with most research exercises there are many approaches that can be followed in preparing such a document. That said the research methodology should be governed by the purpose of the effort, resources available to undertake the task, and the general adequacy of available information. Too often the purpose of preparing a community profile is misunderstood with either too great an emphasis on collecting anything and everything on the one hand, to the preparation of little more than a lure for attracting visitors on the other.²⁰ The narrative within the profile should not be confused with a competitiveness evaluation in that the intention of this exercise as an input into a better understanding of the enabling environment is to add clarity to the data, not evaluate it.²¹ Competitiveness, the process of evaluating community information, is discussed in greater depth in Chapter 3: Strategic Planning.

¹⁹ This is true even though there might be and often are a number of similar individual themes amongst a plurality of communities. For example, national legislation in respect to LED support (institutional structures and mandates) may seemingly have an identical impact on all communities within a specific political jurisdiction. That is, all communities might be offered equal access to certain national programming, but in terms of application individual circumstances may preclude equal access, such as in cases where national development programming focuses on sector-specific initiatives even though sector representation is not equally dispersed geographically. The point is that the enabling environment refers not only to individual factors, but also to the context in which they exist.

²⁰ One interesting format for creating a community profile, developed by the International Economic Development Council, contains more than 1,200 data elements organized into 25 spreadsheets. This data collection format has been designed for the purpose of supporting site selection in its broadest sense and therefore provides a broad and comprehensive overview of the enabling environment. http://www.iedconline.org/?p=data_standards

²¹ To avoid confusion between “community profile” as an input for better understanding the enabling environment versus developing community profiles as regards LED programming (community marketing and promotion), it should be noted that these two formats are distinct and different. Such profiles used in community marketing efforts highlight selected data that describe a community’s particular locational strengths (and usually development aspirations). In these cases, community profile information has been combined with input from a competitiveness evaluation and a community strategic plan to produce a document that markets the community to potential investors or new residents. In describing critical elements of the enabling environment, the collection and presentation of data within a traditional community profile is more comprehensive and intentionally dispassionate. Community marketing is discussed in further detail in Chapter 4 of this document.

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2.2. Stakeholder Engagement and Participation

It is important to have substantive stakeholder input and involvement if we are to properly design and develop a local economic development strategy and then begin implementing it effectively (see Chapter 4). Such an active and open process of stakeholder engagement is a central theme in defining the enabling environment. To this end stakeholder engagement needs to be broad and deep; equal and equitable; and, organized early. The involvement and collaborative efforts of the public (government and governmental agencies), business (private sector) and non-government or non-profit (civil society) sectors in the community are essential to the process: each group of stakeholders brings its unique skills and resources to the process and, significantly, each has a role to play in representing the best interests of all. Establishing working relationships and structures that fully engage these stakeholders in the process will also build trust and lead to beneficial long-term, formal public/private/non-governmental partnerships to further facilitate and build the effort.

It is one thing to speak about the value in engaging stakeholders but quite another to make it happen. Part of the challenge with engagement lies in identifying “who” the stakeholders in LED actually are;²² how to bring them into the process; and, how to engage them throughout. LED stakeholders typically include all of those persons, groups and organizations who can affect LED in terms of planning and implementation or who are affected by it. Within this context the list of typical stakeholders is quite extensive. The following figure illustrates this point:

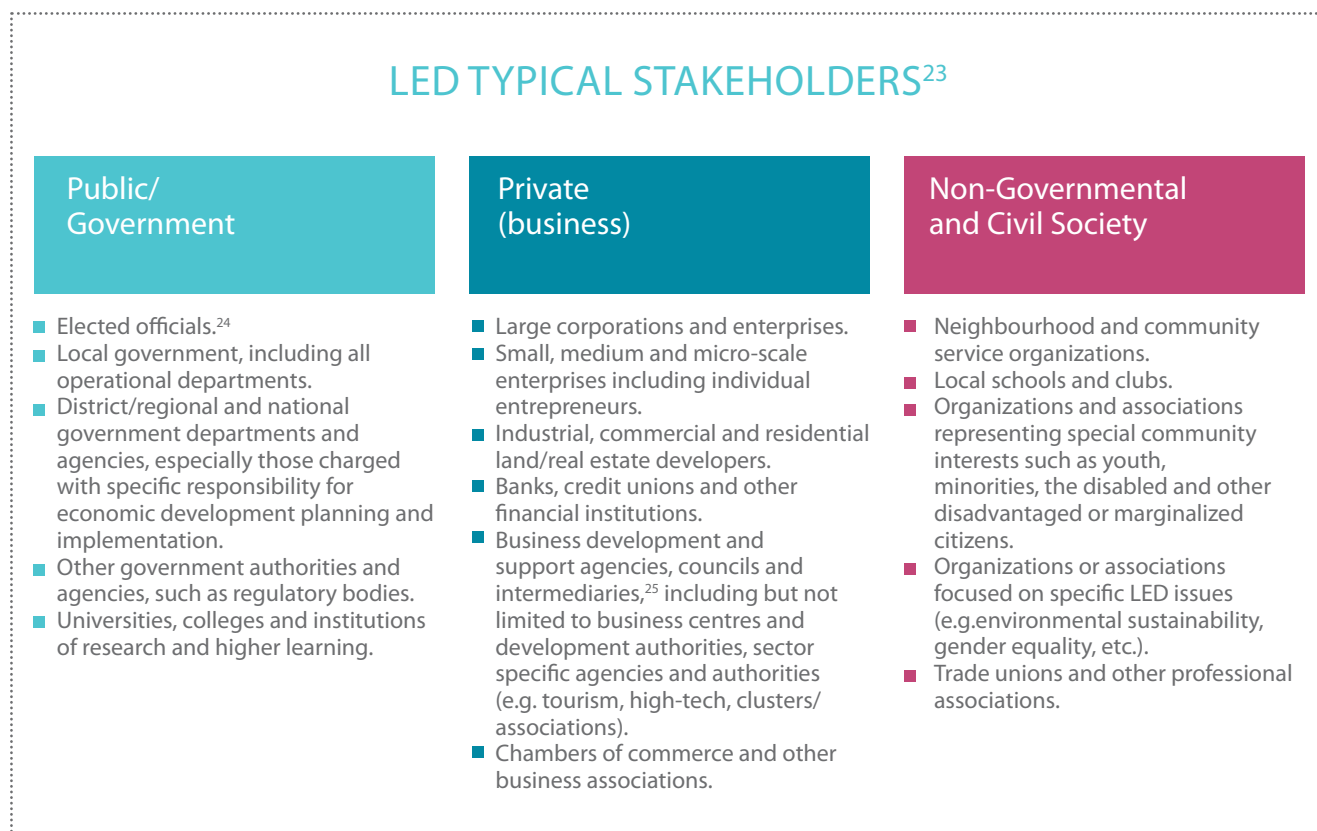


Figure 2.

In terms of categories of stakeholders, while business is the engine of economic growth, government agencies and authorities are most often the key players in setting the agenda for local economic development especially in developing and transitioning economies. They are because of their significant influence, directly and indirectly, over the scope and depth of LED activities, often dictating the direction and tenor of any such initiatives. Government representatives typically do this through the numerous policies they introduce and seek to implement – ranging from policies on how LED is funded and undertaken, to those individual regulations and incentives in support of specific locational, enterprise or entrepreneurial development priorities. Unfortunately while government agencies can introduce powerful incentives that act as useful catalysts for LED, they sometimes do so while simultaneously creating rules and regulations that jeopardize or impede the business environment for others, i.e. granting preferential treatment to one sector, e.g. exporters, at the expense of others, e.g. importers. Further as importantly, because the government sector handles critical inputs such as infrastructure (transportation, hospitals, educational facilities and the like) and the ability to coordinate resources and facilitate their deployment, the impact of government action or non-action has often a more significant influence on the enabling environment versus the activities of other key stakeholders.

²² In its broadest sense, the term “stakeholder” refers to a person, group, member or system who has an interest in a project, initiative or organization in as much as it affects or can be affected by actions arising from that project, initiative or organization. It should be emphasized that women are not a special interest group; rather gender considerations are typically included within the context of all stakeholder categories (taken from a discussion with Ms. Beth Woroniuk, MLED Gender Specialist).

²³ Source derived from: Local Economic Development – LED Quick Reference; Gwen Swinburn, the Urban Development Unit; The World Bank, Washington, D.C., January 2006.

²⁴ It is difficult to overstate the significance of active participation on the part of elected officials in respect to any local economic development effort regardless of circumstance. They are instrumental to ensuring the process proceeds; and they are critical to its ultimate success or lack thereof.

²⁵ “A country’s LED environment is shaped by a number of intermediary actors and support institutions which provide catalytical inputs to LED processes through mechanisms of funding, conceptual support, research, advocacy, facilitation and policy design. The intermediary landscape that influences LED can comprise a wide variety of institutions with different mandates and at different levels.” Who is involved in LED? <http://led.co.za/who-involved-led>

As regards other categories of stakeholders, private sector participation brings value to the effort in several ways, particularly in respect of resources and business expertise. The private sector plays a prominent part in LED activities, and lack of adequate representation from the business sector would certainly preclude their becoming a powerful partner and advocate in the effort. Given the challenges inherent with designing and delivering a successful LED effort, it would be a serious error to ignore private sector engagement in any LED process.

Finally, because local economic development has a broad, holistic impact on the community, local non-governmental organizations (NGOs) and civil society actors play an important role in LED. They bring to the table a range of valuable insights and expertise, including broad knowledge of community/citizen issues and interests.

2.3. Participatory Planning

Clearly, in any community the diversity and numbers of stakeholders participating in some aspect of local economic development can be significant. The sheer numbers of participants can pose a problem in efforts to ensure all parties are included in the process. Experience suggests that the greater the number, the more costly, time-consuming and potentially dysfunctional the effort. Alternatively, the fewer the number, the less inclusive, less transparent and potentially less effective (both broadly and deeply) the LED effort.

It is important to identify and recruit stakeholders to ensure adequate numbers and diversity of representation reflects local considerations in terms of the social, cultural, political and economic context in which the LED effort takes place. Since each community has unique local conditions that can affect the process, the number and mix of stakeholders will vary, as will the scope and depth of their participation.

Properly structured, stakeholder participation helps to ensure an inclusive and comprehensive LED strategy is prepared as a first step, with effective implementation beyond that.²⁶ In practice stakeholders normally participate or are engaged at different junctures,²⁷ i.e. some in the planning phase, others in the implementation effort, still others during monitoring. These varying formats for engagement often involve considerable overlap. To define the best balance of numbers, representation and terms of engagement, a well-organized participatory planning effort should be undertaken.²⁸ In that regard a participatory planning exercise should ensure: (1) the organization and the function are properly structured to accommodate divergent interests, i.e. premised on facilitation and support of divergent interests rather than structured to seek agreement on pre-decided and one-sided courses of action; (2) that those invited to participate include conversant and well-informed stakeholders, i.e. there is an agreed format (transparent and equitable) by which to identify and recruit competent and capable stakeholders; and, (3) that there is prior agreement on how the process will work, i.e. participatory planning processes are non-linear in that they include a multidimensional analysis of issues and options, including negotiation on certain issues and consensus seeking on others.

In terms of application, or how participatory planning looks in practice, the effort is typically one that includes a well-organized system of ongoing stakeholder engagement as demonstrated by an array of engagement exercises, from surveys, focus groups and forums to stakeholder steering committees, working groups, stakeholder boards and advisory councils.

One interesting and increasingly popular format to promote stakeholder engagement and leverage local capacities in LED, particularly within the context of rural communities or municipalities with limited resources, is through the use of volunteer action teams. When it comes to traditional forms of economic development, the strength of this highly participatory model of LED from the perspective of efficiency and effectiveness is particularly noteworthy.

The work of promoting/fostering LED within the context of an action team model is primarily done by volunteer, ad hoc teams comprised of individuals who are committed to solving a particular challenge or investigating a specific LED opportunity within their community. The myriad of economic development issues, initiatives, opportunities and

²⁶ "Why are these linkages valuable within the context of LED strategies? The LED strategy is not only a planning roadmap, but a process as well. As a roadmap, the strategy outlines policy priorities and long and short-term strategies for enhancing the urban economy. As a process, the participatory strategy development is a first step in augmenting relationships and linkages between stakeholders that will help during the implementation of activities." The Role of Participation and Partnerships in Local Economic Development Working Paper, Alysha Beyer, Claire Peterson, Anita Sharma; May 2003.

²⁷ A word of caution: "While stakeholder participation is fundamental to sustainable [local] economic development, it is nonetheless possible to wear people down with too much participation and associated demands on their time. More powerful interests can even overuse participation as a strategy to divert stakeholders' attention from certain issues or cause them to lose interest in the process. Too much reliance on participation may also lead to complete inertia, due to the time and other costs involved and practical difficulties such as reaching a quorum." Participatory Planning. Kurian Thomas and Ramkumar Bendapudi, The Centre for Good Governance.

²⁸ In Chapter 4 we talk in greater length about the elements of strategic planning for LED. It is not the intention of this section of the Guide to go through the planning process but rather to emphasize the importance and benefits of including a broad, inclusive and participatory approach in both LED planning and implementation.

challenges are approached in bite-sized pieces, meaning large and/or complex issues (e.g. diversification of the local economic base) are approached with small, manageable and incremental solutions (e.g. the attraction of a specific enterprise or support for a specific category of entrepreneurs). In practice, an action team is created when an issue or opportunity is identified or brought forward to the Local Economic Development Council (a municipally appointed council) or LED Agency. If prioritized an action team is recruited. The task of the action team is to research, problem solve, and delineate pragmatic opportunities for action or intervention. Key players are recruited from the municipality/region based on their skills, knowledge, interests, commitment and connections necessary to realistically define and implement a solution(s). Action teams can be created ad hoc or include already established organizations in the community. The process is short term and proactive. Once a solution (or solutions) is found, the team disbands.²⁹ The value of the model lies not only in the fact that it serves to engage a broad spectrum of local stakeholders “working on something highly meaningful” but the process enables the LED function to leverage its limited budgetary resources and capacities for maximum impact.

In summary a highly engaging participatory approach to LED planning and implementation brings with it a number of potential benefits.

THE BENEFITS OF PARTICIPATORY PLANNING

- Builds a sense of community ownership and responsibility for project activities.
- Provides a better understanding of LED issues and their complexities.
- Provides a commitment to address priorities in a cross-sectoral manner.
- Incorporates a wide range of perspectives and ideas, resulting in improved design, management and action.
- Promotes stakeholder empowerment.
- Guarantees sustainable implementation of strategies in order for divergent interests to reach a consensus.

2.4. Legal Environment

As noted above, the legal environment or framework is a significant determinant of the LED enabling environment. It encompasses the innumerable policies, regulations, programs and services that are enacted and administered by various levels of government. In practical terms, the absence of a facilitative legal environment can limit even the most welcoming of economic development opportunities and vice versa. It is significant then to properly understand and incorporate an understanding of the legal environment into LED planning and implementation.

Broadly speaking, an understanding of the importance of the legal environment as it pertains to the broader enabling environment for local economic development requires that consideration be given to its impact on “what can be done” (LED programming and services) and “how it is done” (LED organization and operations). By way of example, in the matter of programming and services or what can be done, it is usually of value to take advantage of or build synergies with various governmental agencies and authorities plus the programs and services they offer, to more effectively promote and foster the realization of local development priorities. Further, by way of example in respect of organization and operations or how LED might be undertaken, it is of value to understand the legal environment (rules and regulations) as these will dictate how an LED effort might best be organized (e.g. as a public, private or public-private entity) and how selected LED efforts might best be delivered (e.g. the use of selected incentives).

The following brief discussion is intended to give by way of using Canada as an example further insight into the importance of the legal environment in influencing the design, delivery and impact of local economic development efforts. Understanding this relationship, i.e. the legal environment and LED, is relevant to every LED effort in every jurisdiction.

²⁹ Vision North Okanagan – A Program of Action for a Regional Economic Development Council. Lochaven Management Consultants Ltd., 2008.

2.5. Legal Environment in Canada-Implications to LED: an Example

By way of background Canada's Constitution (1982) divides the responsibilities of government into federal and provincial/territorial jurisdictions, with municipalities in turn being subject to provincial/territorial legislation. In respect to local economic development, the framework of jurisdictions is multilayered as is demonstrated in the chart below:³⁰

In Canada the actions of all three levels of government have a significant impact on the LED enabling environment.

Within the framework of the federal government there are several economic development departments that support a range of provincial, regional and municipal initiatives to ensure a broad dispersion of the benefits of economic development throughout Canada. In respect to local economic development specifically, the structure of federal government support typically comes by way of conditional or unconditional grants, tax incentives and project-specific assistance. This programming tends to vary from year to year depending upon various political priorities and economic realities. For the most part the local municipality is at least a partner in various federally supported LED initiatives. In terms of focus, historically federal government support had a heavy regional bias framed on solving regional disparities, in part reflecting the priorities of the day. This emphasis has changed in recent years, and even though a regional bias of sorts remains, it is driven less by looking backwards (solving disparities) than on moving forward (building community competitiveness).

Under the Canadian Constitution, provincial governments³¹ have a broad range of powers and jurisdictions that they have authority to control and monitor through the enactment of selected legislation. In general, provincial governments are responsible for: property and civil rights; the administration of justice; natural resources and the environment; education; health; and, welfare. Furthermore, and relevant to the discussion here, provincial governments maintain substantive control over all of the activities of local governments through provincial legislation (Municipal Acts and Municipal Government Acts). In practice the provinces often play a central role in setting local government budgets, priorities and controlling their powers to deal with municipal issues. For the most part, every province is committed to supporting strong, sustainable municipalities and often provides support for LED programming either by way of direct financial support for various development initiatives (e.g. the hiring of consultants/expertise, cost sharing for a business incubator, etc.) or by way of substantive technical support (e.g. training of local EDOs, organization of business clusters or trade missions, etc.).

In the near future, it is expected that the Canadian federal government will continue to step back from directly supporting specific LED initiatives, and as such provincial governments and individual municipalities will be required to pick up the shortfall. As a result of this increased decentralization (see Chapter One), it is expected that an increasing number of responsibilities will be downloaded and without a concurrent disbursement of revenues the realm of local economic development will likely include more stakeholder partnerships (public, private and not-for-profit collaborations), with a greater emphasis on agglomeration as the provinces and municipalities pursue their own efforts to stretch their limited resources.

The importance of understanding these changes in the federal/provincial legal environment is that they will in turn require municipalities in Canada to rethink or revise certain aspects of their approach to LED planning and programming by taking into account the presence or absence of necessary federal and provincial support. And, while there is a trend toward local governments assuming more formal economic development roles, there is still a large discrepancy in the level of participation amongst Canadian municipalities. This discrepancy reflects the evolving and voluntary nature of local economic development as a local government service. In fact, some municipalities do not necessarily take an active role in LED activities, while those that do are increasingly obliged to do so with increasingly limited resources.

Clearly the existing and evolving legal framework in Canada has significant implications to municipal LED efforts. The

³⁰ It should be emphasized up front that the information presented in the chart may not be fully current and may be somewhat oversimplified. This deficiency is not pertinent to the discussion as the intent here is not to provide a definitive and fully comprehensive overview of the various agencies and programs that influence LED in Canada. This information tends to change on a fairly regular basis and arguably would be a major research effort on its own. Rather, the intent here is to highlight the fact that as in many other countries all levels of government in Canada including various governmental authorities influence and impact LED on a regular basis. The clear implication of this situation is that local municipalities do not universally drive LED programming. Therefore for individual municipalities there is considerable importance in knowing and understanding exactly how these other governmental agencies, services and programs influence local programming either in a positive or negative way and how this fits with local aspirations and plans.

³¹ Territorial governments differ from those of the provinces in Canada. Where the provinces are constitutionally autonomous, the territories are subordinate to the federal government, meaning the federal government has the power to create territories as well as to decide what powers and jurisdictions they have.

implication is that for municipalities seeking to move forward to a more prosperous future, they will need to understand and appreciate the impact of this framework on the enabling environment generally and on their individual aspirations and efforts in particular. Specifically this aspect of the LED enabling environment is pushing Canadian municipalities to:

- be better prepared, better planned, and more strategic;
- develop strategic alliances with other communities and regions;
- build broader and more inclusive partnerships to leverage the participation and contributions of local resources and expertise;
- focus on value for money initiatives and actions;
- engage in advocacy and relationship building with other levels of government; and,
- work more diligently at leveraging funding in order to self-fund LED activities in their regions.

GOVERNMENT IN CANADA AND LED



Figure 3.

2.6. LED Financing and Resourcing

Financing is especially crucial and is arguably the preeminent theme in every jurisdiction when considering the LED enabling environment. Its importance arises from two different though interrelated perspectives, namely: (1) how to finance the design, implementation and management of LED actions and activities (core funding); and, (2) how to finance individual strategic efforts to promote greater municipal economic growth and development (program or service funding).

A properly resourced LED effort implies an appropriate mix or balance of an array of critical inputs, including human resources, infrastructure, technology and financing. However, because some substitutability exists in respect to some of these inputs, by way of example the use of volunteers rather than paid staff to deliver certain services, the relative importance of each varies by community and by circumstance.

Regardless, in almost every jurisdiction core funding and its adequacy to meet LED needs and priorities has proven to be a difficult challenge for many organizations involved in the effort. In part this arises because even though there is an inherent recognition that local economic development is a long-term process requiring substantive investment in staffing, marketing and infrastructure with the intent that years down the road new jobs, new/expanded enterprises, greater private sector growth and diversification, and new investments will accrue to the community at large, in many instances funding for LED is tied to short-term plans and annual approvals. An absence of adequate core funding may also accrue as a consequence of the uncertain commitment on the part of local politicians who face short electoral cycles, plus a less than enthusiastic endorsement from a local citizenry more focussed on their own immediate needs.³²

Some LED organizations do quite well in their quest for funding. In many cases securing adequate funding support for an LED effort is a direct consequence of the effort put into organizing the LED function, i.e. broad stakeholder participation; how implementation is effected, i.e. an emphasis on strategic and realistic planning and leveraging of local resources and inputs; and how LED efforts and successes are reported on, i.e. with an emphasis on engagement and transparency. In most cases while these organizational approaches do not assure certainty of financial support, research indicates that they can increase that possibility.

Typically, core funding for selected LED efforts come in a variety of formats depending upon location and circumstance. The most common formats include grants, fees for services, in-kind contributions, equity investments, debt/loans and sponsorships. The following chart indicates typical sources for financing LED in Canada by typology.³³ Importantly, this listing will necessarily vary by country.

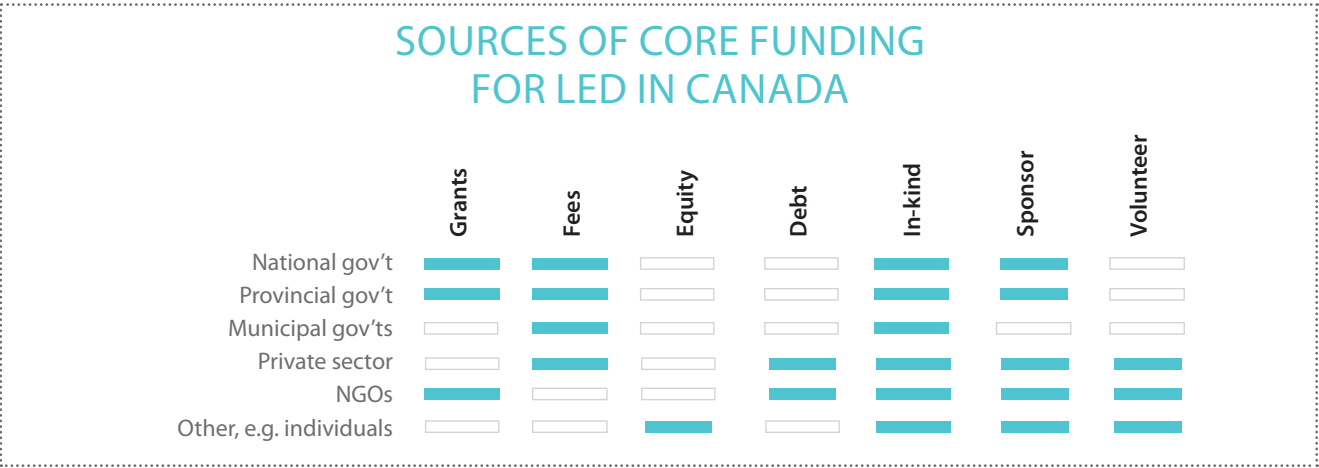


Figure 4.

Not surprisingly in Canada and most developed and transitioning countries, regardless of source and location, core or operational financing typically comes with certain conditions, which in and of itself has some significant implications. Consider the following:

³² The irony is that there is well-documented evidence that when local economic development works well it produces real returns, including jobs, incomes, tax revenues, investment opportunities and important social benefits.

³³ Financing Local Economic Development in Canada. Prepared by Lochaven Management Consultants Ltd., 2010.



"Where local governments rely heavily on local taxes to fund their budgets, they are more likely to see local economic development as a way of increasing their tax base to finance local services, assets, and amenities. In these instances local economic development is highly oriented towards attracting and expanding business and human capital development. Here, ... the primary interface is with business, investors and developers.

*"Where local governments rely heavily on the national government to fund their budgets, they are more likely to see local economic development as a way of addressing social and spatial disparities. In these instances local economic development is often more oriented towards public and social sector activities – helping the unemployed into work and finding new sources of entrepreneurship and employment. Here, economic development ... is more about investing in the infrastructure to make private investment more likely, and often requires extensive liaison with higher tiers of government to attract funds."*³⁴

In respect to funding that is targeted to directly enhance LED efforts (services and programs) by way of assisting and promoting the activities of selected enterprises, entrepreneurs, associations and others, the typologies/approaches vary considerably between different communities, regions and countries. Common examples of development incentives include: industrial revenue bonds; tax increment financing; industrial enterprise zones, direct/subsidized loans; site development concessions; tax incentives; and, subsidized utility rates. The typology of financial support is dictated by the legal environment while the methodology is normally dictated by the needs of the beneficiary relative to the activities and results that the LED effort works to accomplish.³⁵

2.7. Community Readiness

One of the more critical steps in initiating a local economic development program is to determine if in fact the community is properly prepared and positioned to undertake the effort. This means not only whether the community or municipality has the wherewithal to make LED happen, i.e. sufficient assets, opportunities and a competitive advantage, but also whether it has the attitude, commitment, dedication, climate and leadership among other things to ensure the process will be successful.³⁶ This state of preparedness is also known as community "readiness"³⁷ or community "vitality." The following figure highlights a number of common readiness factors, the definitions/explanations of which are contained in the chart following it.³⁸

³⁴ Financing Local Development. Policy Brief. Organisation for Economic Co-operation and Development, December 2007.

³⁵ The typology and use of incentives varies by community, region and country. In some cases certain incentive mechanisms may not be legally permitted, while in others there may be a range of eligible incentives. As a brief aside, the use of incentives to stimulate and enhance LED has some serious policy implications. The value of the exercise is not clear cut. "The issue isn't whether economic development incentives can work; empirical evidence suggests they can. The issues are whether benefits of incentives outweigh costs, and how benefits and costs are affected by local conditions and incentive design." By way of example, in the instance of incentives for the purposes of job creation "... economic development incentive programs are more likely to pass a benefit cost test if: (1) local unemployment is high, so the new jobs are needed by local residents; (2) the jobs pay higher wages; (3) more of the jobs go to local residents. Alternatively the incentive program does not make sense in a low-unemployment area. That is if unemployment is low, local residents can easily find jobs, and the earnings benefits from greater employment rates will overstate the social benefits of new jobs." Other concerns arise in respect to the locational and economic distortion of incentives. Nonetheless incentives are popular tools in the global game to attract new enterprises and new investment. Eight Issues For Policy Toward Economic Development Incentives. Timothy J. Bartik, senior economist, W.E. Upjohn Institute for Employment Research, Kalamazoo, MI.

³⁶ Assessing community readiness is not necessarily a matter of concern only at start up. In fact there is value in assessing community readiness even after the local economic development effort is underway, and especially so in those instances where the effort seems not to be fully achieving its stated objectives.

³⁷ A community's "readiness" differs from its "enabling environment": while determining the readiness of the enabling environment is an important input into the readiness assessment, it is the objective and subjective evaluation of that enabling environment together with a broader evaluation of other selected social, economic, political, environmental and cultural factors from which the opinion of community readiness is derived.

³⁸ The number of key factors regarded as essential determinants of overall community readiness – and by implication the preconditions for LED success – ranges in the order of five to fifteen depending upon which methodology is followed. This does not imply that one approach is better because it considers more factors. As well it should not be assumed that each of these factors carries equal weight or that this weight is consistent in all circumstances as significant differences in social, cultural and political circumstance will influence the relative importance afforded each of the readiness factors.



Figure 5.

A considerable volume of research has been undertaken on the significance of community readiness to the success of LED, and a number of tools have been prepared from which individual municipalities can go about the task of assessing readiness.⁴⁰

A community readiness assessment does not have to be complicated, though it should be thorough. Most efforts tend to encompass surveys of 50 to 100 questions administered to a broad and representative sample of local citizens and stakeholders. Various tools are available for communities interested in undertaking readiness assessments.⁴¹ The purpose of these tools is to gather and collect a sufficient number of relevant impressions, perceptions and feedback on various readiness factors such that a realistic insight on community readiness can be discerned. To aid in this process, feedback is normally collected utilizing a Likert scale to rate responses. The value in rating responses and aggregating them accordingly is to simplify the identification of high priority opportunities and concerns. To illustrate this notion, consider the following few sample queries by key LED function. (See page 26):

³⁹ There are comprehensive community readiness exercises that focus on a single attribute or element of the community's LED positioning, such as investment attraction, where community investment readiness is tested for compatibility with LED plans and actions in respect to investment attraction. See for example, Investment Readiness Test, the Government of Ontario.

⁴⁰ Is Your Community Ready for Economic Development?: Texas Agricultural Extension Service, Zerle L. Carpenter; and, Business vitality initiative BVI community handbook: Centre for Innovative & Entrepreneurial Leadership; and, Community Economic Development Preparedness: The Center for Community Economic Development; April 2004; and, Public Policy for Local Economic Development – An International Comparison of Approaches, Programs and Tools: Bryant, Christopher, and Cofsky, Sylvain, Université de Montréal; Mar. 31, 2004.

⁴¹ See for example: Municipal Readiness Test for Economic Development: Government of Ontario; Is Your Community Ready for Economic Development?: Texas Agricultural Extension Service; Assessing Your County's Readiness for Economic Development. A Guide for Rural Governments, the National Association of Counties; February 2004. Other focussed or subject specific community readiness tests such as those on investment attraction: The Investment Readiness Test; GO North Investor Program Ministry of Northern Development and Mines Ontario; Investment Readiness – A Community Handbook: Economic Development Association of BC; 2008. And similar: Investment Readiness – A Community Handbook: Saskatchewan Economic Development Association; revised, 2010.

Strategy for LED

Is there a strategy for local economic development? Has the strategy been shared amongst local citizens? Is the strategy focused, relevant and realistic? Was the strategy introduced using change management principles? Was the process of strategy development participatory and transparent? Is there an ongoing system for monitoring and amending LED efforts? Is there a system for tracking and measuring the impacts? Is there pride and celebration of success?

Organizational Capacity for LED

Are physical, human and financial resources available to meet the challenges of LED implementation? Is core funding sufficient, stable and secure? Are there opportunities to enhance the professional qualifications of staff? Does the legal environment support the achievement of LED goals and objectives?

Innovation

Is the municipality noted for undertaking new and interesting initiatives? Is the municipality willing to create partnerships, plus work cooperatively and collaboratively with other communities in the area or the private sector to enhance municipal competitiveness, and build the human and financial resources necessary to support local economic development? Is the municipality's future premised on established economic industries or emerging sectors?

Quality of Life⁴²

How does the community make the connection between quality of life, and economic competitiveness and prosperity? Does in-migration out pace out-migration from the municipality? Are the numbers of young workers and young families in the municipality increasing? What is the unemployment rate? Is it increasing/decreasing? Are vulnerable citizens afforded equal access to municipal services? Is environmental sustainability an important consideration in LED efforts? In what way? Is gender equality an important consideration in such efforts? In what way? Are there sufficient quality recreational opportunities in the municipality? Is the arts and culture community vibrant? Are local taxes reasonable? Is there a reasonable range of goods and services available locally at reasonable cost? Is the local government noted for being open and forthcoming with a concern for the wellbeing of individual citizens? Is a vibrant civil society an important focus for local government?

Education and Training

Are there sufficient numbers of quality schools, colleges and universities in the municipality? Does the community have professional development associations? Is there a chamber of commerce, an association for entrepreneurs or an association for women in business? Does the community have a program for youth entrepreneurs? Does the municipality have a viable, skilled workforce available to staff potential business and industry? Are there opportunities for professional upgrading?

Leadership and Teamwork

Are there individuals within the municipality who are capable and prepared to take the lead in LED in the municipality? Do individuals and groups take effective leadership responsibility? Are they responsive and democratic? Are municipal projects being suggested, discussed, planned and carried out? Does the municipality have the ability to draw together to achieve municipality-wide goals? Is there inclusion in planning and implementation?

Opportunities and Attitudes

“Any fact facing us is not as important as our attitude toward it, for that determines our success or failure.”

Norman Vincent Peale

Is the approach to LED logical and realistic? Is it premised on competitive advantage? Does the municipality adequately balance investment attraction with a focus on local businesses and on energizing entrepreneurs to create and build home-grown enterprises? Does the municipality have the political will to make the decisions necessary to support and encourage economic development? Does the municipality and its citizens have the ability and commitment to recognize, take action and follow through on available opportunities?

Financial Resources

Is access to capital a concern of local businesses? Is access to capital equal for men and women? Is the municipality well served by financial institutions? Is venture/risk financing available? Is project funding readily available and in what form? Is it consistent with the LED strategy and with the needs of business? Is the process of application and approval transparent?

Business Services

Does the municipality have a positive business climate? Does the municipality encourage and support its entrepreneurs/enterprises? Does the municipality offer a one-stop service for business? Is it easy to start/expand a business in the municipality? Are business taxes reasonable? Is the regulatory environment onerous? Are there any technical assistance programs/services to support entrepreneurs? Are there any technical assistance programs/services to support women in business?

⁴² “Quality of life can best be described as the degree to which people have a sense of well-being in relation to the space in which they live, work and play. Each community defines quality of life according to its own unique character, community strengths and needs. Recognition of these locally-specific aspects means that municipalities can make decisions that positively affect the financial, economic, environmental, social and physical aspects of their community's quality of life.” Municipal Quality Of Life for Economic Prosperity, Building Strong Communities; Ministry Of Municipal Affairs And Housing, Provincial Planning and Environmental Services Branch, the Government Of Ontario, Spring 2005.

| | |
|-----------------------|--|
| Infrastructure | Does the municipality have adequate infrastructure in place to make economic development a reality? Is access to key infrastructure (land, utilities, commercial space/property, etc.) open and fair? Are utilization costs fair and reasonable? |
| Markets | Is there an adequate range of goods and services available locally or is there a need to leave the community for these? What goods and services are bought from outside the community and why? Do the largest businesses in the community predominantly service local needs or do they ship outside the area? Does there seem to be an increasing/decreasing number of the same/different stores/shops doing business in the municipality? How far away is the nearest major city and what size is it? Do many visitors come to the municipality? Does the municipality have a favourable image within and outside the region? How does the municipality rank as a place to visit or a place to do business? |

Chart 2.



SAMPLE QUERIES TO DETERMINE COMMUNITY READINESS

| | | Strongly Agree | Agree | Disagree | Strongly Disagree | Don't Know |
|---|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| ORGANIZATIONAL CAPACITY FOR ECONOMIC DEVELOPMENT | | | | | | |
| Query 1. | The organization that is most responsible for economic development in our community has adequate representation from both public and private sector members? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Query 2. | Key local business leaders are sufficiently involved in economic development efforts? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| STRATEGIES FOR ECONOMIC DEVELOPMENT | | | | | | |
| Query 3. | The community has a current written economic development plan that was prepared by an economic development committee, formally adopted by local government, and reviewed on a regular basis? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| BUSINESS RETENTION AND EXPANSION | | | | | | |
| Query 4. | The local economic development organization makes regular visits to businesses? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Query 5. | Local government is responsive to the problems of existing businesses? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Query 6. | Local banks effectively support female business owners, managers and entrepreneurs? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| BUSINESS AND INVESTMENT ATTRACTION | | | | | | |
| Query 7. | The community is effective in attracting environmental or green businesses to locate in the community? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

..... and other categories, queries

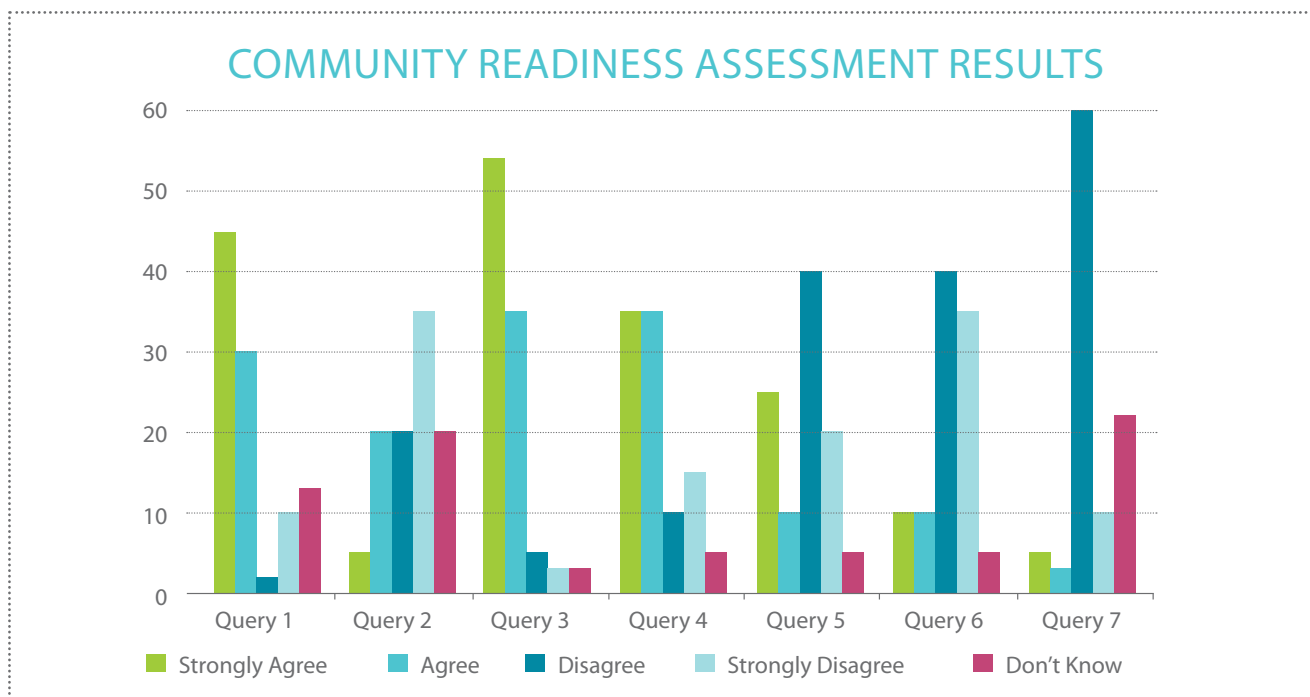


Figure 6.

Responses are charted as they are collected. It becomes very clear which factors of community readiness, and by implication which determinants of overall LED effectiveness, are supporting the broader agenda or impeding it. In the figure opposite, for example, it is clear that in terms of query 1 there is considerable consensus or agreement that “The organization that is most responsible for economic development in our community has adequate representation from both public and private sector members”. And in terms of query 6 there is considerable disagreement amongst those interviewed with the assertion that “Local banks effectively support female business owners, managers and entrepreneurs”.

Once identified, these “hot buttons” can be targeted for enhancement or amelioration within planned LED actions/ activities. In terms of format this subsequent planning exercise might look something like the following (with an example in *italics*):

ACTION PLANNING TO STRENGTHEN COMMUNITY READINESS – AN EXAMPLE

| Issue requiring improvement or enhancement | Action required | Lead (L) & Partners (P) | Resources required and available | Est. timing | Priority** |
|--|---|---|------------------------------------|-------------|------------|
| Support to encourage first-time women entrepreneurs is limited. (Query 6)* | Develop a three-day seminar on business opportunity identification; and a two-day seminar on business planning. | L=Association of Women in Business. P=University | \$2,000 City | 5–7 | High |
| Economic development function needs to be more inclusive. (Query 2) | Recruit more private sector individuals to the economic development steering committee. | L=Economic Development Office P=Chamber of Commerce. | In-kind contributions (volunteers) | 5–52 | Low |
| Community has a commitment to environmental sustainability. (Query 7)*** | Promote investment in the development of “green” jobs and industry. Marketing campaign. | L=Economic Development Office P=Association of Manufacturers | \$20,000 Not available**** | 9–22 | Medium |

* Issue requiring improvement: Community is weak relative to its competitive position, limiting LED potential.
 ** Priorities reflects strategic planning priorities (Chapter 4).
 *** Issue requiring an improvement. Community is already strong but there is value in building on this strength.
 **** Absence of resources might imply that some effort be expended in exploring alternatives given the action is high priority. These sub-actions would then need to be spelled out again in concert with the broader strategic planning effort.

Chart 3.

3

QUANTITATIVE FORECASTING AND COMPARATIVE ANALYSIS IN LED PLANNING – EBED’S EXPERIENCE IN UKRAINE⁴³

Chapter Overview

Because sustained economic growth is the most important indicator of the effectiveness of an economy over time, this goal should preoccupy the interests and efforts of officials at both the national and local level. Quantitative forecasts (demographic, economic and fiscal) as well as the benchmarking of performance indicators are critical aspects of the LED planning process if the development of strategies are to be effective in the effort to enhance growth. In this chapter the specific expertise developed and experience gained through the Conference Board of Canada’s EBED (Evidenced Based Economic Development) Project in Ukraine is presented and discussed.

⁴³ This section on Quantitative Forecasting and Comparative Analysis in LED planning was prepared by the Conference Board of Canada.

By definition, planning involves making assumptions about the future. The most valuable forward-looking inputs into the planning process are those forecasts based on statistical data that have been organized into a system of quantified relationships (models) and which will generate coherent projections based upon a small set of quantifiable and transparent assumptions. In addition, benchmarking of performance indicators can help to identify policy priorities for the LED plan.

The quantitative forecasts that are most commonly used in LED planning are demographic, economic and fiscal. The methodology for creating such forecasts, and their uses in LED planning, are briefly described below. In addition, the role of benchmarking relevant performance indicators in LED planning is also discussed, as is the role of gender budgeting.

3.1. Demographic Forecasting

People are a major source of the productive capacity of any community, and they are also the most important consumer of goods and services. Sustainable economic development and economic growth are required to satisfy the future needs of the population.

The demographic forecast is the most important foundation for making management decisions in relation to LED planning.

In Ukraine, several institutions prepare demographic forecasts. In 2006, the report entitled “A Complex Demographic Forecast of Ukraine for the Period until 2050” was prepared with the involvement of the United Nations Population Fund, the Institute of Demography and Social Surveys of NASU, the State Committee of Statistics of Ukraine and the Ukrainian Centre for Social Reforms. This report reviewed a number of scenarios for the future structure of the Ukrainian population.⁴⁴ However, the systematic use of population forecasts as part of any economic planning process is not generally applied in Ukraine, especially at the oblast (regional) and municipal level.



A DEMOGRAPHIC FORECAST

is a short-, middle- or long-term projection of the size of a population, its age and gender structure. Demographic forecasts help to define and substantiate measures for the improvement of the socio-economic situation of an oblast or municipality, and they are needed not only to foresee the overall size and structure of the population, but also to plan socio-economic processes, including the production and consumption of goods and services, housing construction and the development of social infrastructure. In addition, demographic forecasting makes possible long-term projections of the work force (a requirement in the preparation of economic and budget forecasts). Finally, demographic forecasts are required to project budget expenditures on pensions, social payments, the funding of educational and medical institutions and more.

Ukraine's demographics are generally characterised by a low birth rate, a relatively low death rate, falling natural growth and an ageing population.⁴⁵ These underlying characteristics, common to much of the developed world, are modified by post-Soviet tendencies, especially the turmoil of the 1990s, which helped to generate a lack of births and a large discrepancy between men and women in terms of life expectancy. However, irrespective of common characteristics, these overall demographic trends differ by city and region across Ukraine.

Demographic forecasting at the oblast and city level is critical for Ukrainian cities and oblasts to have a clear understanding of the future needs of their respective populations and enable the preparation of relevant and realistic LED plans.

The most common method used for demographic forecasting is the cohort-component approach, built on the principle that the size and age structure of the population can be projected on the basis of the current age composition of the population, if assumptions are made regarding future trends in the birth rate, death rate and in/out migration. In fact, these three assumptions alone (by age and sex) determine the entire demographic future.

A forecast model built using this approach takes into account historical information about the detailed age and gender structure of population. Official historical statistical data are used to build the model and establish historical

⁴⁴ <http://www.idss.org.ua/monografii/Prognoz%20Ukrain.pdf>

⁴⁵ Demographic dynamics characterised by a high birth rate and a relatively high death rate, where births outnumber deaths and the size of population is growing, relates to a second type of demographic dynamics normally found in lesser developed countries.

trends in the underlying birth rates, death rates and immigration thereby to help guide the forecasting of these three assumptions.

On the basis of historical trends, international comparisons and an analysis of existing state and regional policy, assumptions are made regarding the future, by age and sex, of birth rates, death rates and net migration. The key underlying relationship in the model is that the size of the population (for each age and by gender) in the next year will equal the size of the population in the current year, minus the number of deaths and emigrants, plus the number of births and immigrants. In addition, everyone still alive will become a year older. This is the logic underlying the demographic forecasting model, which is able to project the age and sex composition of the population. It is important to note that because underlying demographic trends regarding births and deaths change slowly, demographic forecasts tend to be very accurate as much as thirty years into the future.

Microsoft Excel 2010 software can be used to build the demographic forecasting model; special software is not required. The main requirements for preparing a successful forecast based on the demographic forecasting model are a full set of historical data and a thorough analysis of the factors influencing the future course of birth rates, death rates and net migration.

The demographic forecast by age and sex identifies the size of the population of working age and the size of the population of non-working age in the coming years, which can determine the future fiscal sustainability of any oblast or city. The age structure of the working force is also highlighted, which can lead to policies to attract workers of a certain age, identify future labour shortages for any given age group and help firms develop employment policies that best match the age structure of their workforce. The number of children of school and pre-school age is also projected, which determines the demand for school buildings and teachers. The number of elderly is forecasted, which determines the demand for housing and other services for the old, including health care. The forecast allows LED planners to receive a clear view of future problems far enough in advance to allow for the development of policies to mitigate the impact of future demographic weaknesses.

A comparison of local demographic trends with those of other regions or countries and an examination of the efforts of others to overcome demographic problems can serve as the basis for the development of policy recommendations to improve the future situation.

The Evidence Based Economic Development (EBED) Project, funded by the Government of Canada, has developed demographic forecasts for six cities and two oblasts in Ukraine. Many of these cities and oblasts face the same future demographic challenges, including a dramatic decline in the total population, a rapidly ageing population, premature mortality among men, out-migration and a lack of young workers. These forecasts highlight the need for measures at the national and local level that could help to improve the future demographic situation. In particular, national and local policy should concentrate on increasing the birth rate by creating favourable conditions for families to have children, and making sure that women can combine childbearing with active participation in the workforce. In addition, planners will need to develop programs to support the elderly, including recognizing the pressure on health care budgets as the number of old people increases. These are only a few of the potential planning measures that are suggested by the demographic forecast.

3.2. Economic Forecasting

As economic growth and development is the key focus of every LED plan, a “business as usual,” medium-term (3–5 years) economic forecast, which does not take into account any future actions under the LED plan, serves as the starting point for LED planning. The economic forecast helps to identify priorities for industrial development and minimize risks. Depending on the economic forecast, developers of the strategic plan may want to create conditions for the development of certain interrelated industries, or use economic diversification to minimise the impact of cyclical downturns. The economic forecast by industry can signal the need for specific social policy actions. For example, the development of certain targeted industries may require training specialists, which in turn has implications for education policy. The economic forecast can help to identify bottlenecks, such as a lack of transportation infrastructure, while industry forecasts can identify the most promising sectors of the economy, which can then be supported through policy actions to maximize oblast or city growth. A credible economic forecast can serve to attract investment funds for oblast or city development, plus establish the amount of funds available to implement the LED plan.



ECONOMIC FORECASTING

A key requirement for the production of an economic forecast is the building of a computer-based model that describes the relationships between the underlying determinants of economic activity (e.g. foreign demand, interest rates, inflation and demographics, etc.) and the key economic variables of the oblast or city (e.g. income, retail sales, real output by industry, etc.). These relationships are based on historical data and recent developments, and the model can be built using software such as MS Excel or more sophisticated modelling software, such as EViews. Any economic forecasting model should provide the ability to generate alternative scenarios depending on changes to the underlying assumptions, thus allowing for measurements of the impact of policy measures or assessing the risk presented by various external factors (such as a worldwide financial crisis).

The first stage of building an economic forecasting model is the creation of the relevant databases for each city and oblast. The database accumulates information about the important economic indicators as well as on the underlying determinants of economic activity. Because a complete set of statistical data is available only at the oblast or national level, indirect methods are used to calculate real output by industry (the most important variable for which city data is lacking). Real output at the city level is calculated by assuming that the ratio of output to employment by industry at the oblast level (productivity) is the same at the city level (by industry). Using oblast productivity and city employment, by industry, it thus becomes possible to calculate city output by industry. Summing up real output by industry then generates historical figures for total real gross domestic product for the city.

After creating the economic database it is necessary to develop the forecasting model for key economic indicators. These indicators are divided into two groups: the first consists of exogenous variables, or those indicators which are external to the city or oblast and which are beyond the control of the economic actors within the city or oblast. Such variables typically include interest rates, exchange rates, external demand (either economic growth in the rest of the country or in important export markets), demographic factors (size and age structure of the population), national inflation and economic policy variables, i.e., government spending, tax rates, subsidies and pension allowances. All of these exogenous variables must be forecasted. Forecasts for national variables are generally available from the Ministry of Economy or external agencies such as the IMF or World Bank. Demographic forecasts are specific to the city or oblast and are generated using a demographic forecasting model (see the previous section). Fiscal policy variables are generally available from the Ministry of Finance and from oblast or city finance departments. It is also possible (but very dangerous) to forecast all of these variables based simply on historical trends.

The next step is to estimate the relationship between the exogenous determinants of economic activity and the second group of economic variables, known as the dependent variables. For example, output in the steel manufacturing industry will depend upon external demand for steel products, and domestic employment in the steel industry will depend upon domestic steel production and changes to productivity, while domestic income will depend upon salaries and employment across all industries in the economy (and domestic retail sales will depend upon domestic income and population). Such relationships are estimated using historical data. For example, in history it may be the case that steel production in a city has generally grown five percent faster than the output of the national economy as a whole. This relationship would be captured in the economic forecasting model.

The economic forecasting model thus created when given forecasts of the exogenous variables should at least generate forecasts of output by industry (with the influence of inflation removed), employment by industry, total employment and total income. Care must be taken that projections of the output of government-related industries (such as health care or education) are closely tied to the demographic projections by age.

As mentioned, wage and salary forecasts, which are closely tied to forecasts of the national consumer price index (CPI), combined with forecasts of employment will generate projections of income. This projection is especially important since it provides a means to forecast income tax collection, which is the main source of city and oblast revenues. In addition, income is a critical determinant of domestic demand (e.g. retail sales and housing), which in turn generates much of the employment in a city or oblast. The income forecast is the main input from the economic forecast to the fiscal projection, which in turn determines the amount of funding available to finance the local economic development plan.

3.3. Budget Forecasting



BUDGET FORECASTING

an integral part of the LED planning process, is by definition a spending projection for the coming year. Proper LED planning bases this budget upon economic and demographic forecasts and should involve budget projections into the medium-term (three to five years). This forecast is a critical part of LED planning because it determines the amount of funds available to finance any projects included in the plan. Without a credible budget forecast, any LED plan will lack credibility.

The budget forecast should be based on a fiscal forecasting model, which can be built using relatively unsophisticated computer software, such as MS Excel. The fiscal forecasting model links revenue and expenditure line items to economic and demographic drivers.

The first task in the creation of a budget forecasting model is the consolidation of revenue and expenditure items into groupings that are determined by the same driver. For example, all expenditures related to secondary schools can be grouped together, as these expenditures will be determined by the size of the population in the relevant age group and the wages and salaries of teachers (assuming standard student-teacher ratios). The next task is to link all of these groups to the appropriate economic and demographic drivers.

An important element of this work on the revenue side is the calculation of implicit tax rates. For example, the implicit income tax rate would be the total of all income tax paid in the most recent historical period divided by the total income of the population in the city or oblast. This avoids trying to calculate income tax based on income distribution, which is a highly complex task. To project future income tax collection, it is thus only necessary to forecast future income (from the economic forecast) and any changes to the implicit tax rate expected to occur in the future. The notion of implicit rates is also important on the expenditure side. Thus, it is possible to calculate an implicit pension rate by dividing pension income by the number of people of pension age. Future pension expenditures are then driven by population projections for the relevant age group and any contemplated changes to the generosity of the pension scheme. The use of such simplifying assumptions allows for the construction of a robust but manageable fiscal forecasting model.

Once constructed, the fiscal forecasting model provides an opportunity to analyse future trends in revenues and expenditures, evaluate the impact on the budget of different possible policy measures, and identify the most important risk factors affecting the fiscal health of the oblast or city. It also allows for a medium-term determination of the amount of funds available to finance new initiatives that might be undertaken as part of the LED plan (the development budget).

Budget forecasting based on a fiscal forecasting model has important advantages over budget projections based purely on past figures. A model-based fiscal projection adds important credibility and accuracy to the budget outlook, as the budget forecasts are based on transparent demographic and economic assumptions. Thus, the budget projections become more realistic.

The adoption in Ukraine of a new Budget Code in 2010 forces cities and oblasts to develop three-year budget projections. This is extremely difficult to do in any credible fashion without the development of a fiscal forecasting model that links revenues and expenditures to demographic and economic determinants. One of the key advantages of a medium-term forecast is that it can help identify future problems that might arise and give policy makers the time to introduce measures that can sidestep or mitigate any unfavourable impacts from such challenges without needing to take drastic action in a crisis situation.

Finally, the fiscal forecasting model allows for the preparation of alternative scenarios based on changes to the underlying demographic and economic assumptions. It also can measure the fiscal impact of new policy initiatives under consideration. For this latter reason alone, the fiscal forecasting model becomes an indispensable part of the LED planning tool kit.

3.4. Preparation of Gender-Responsive Budgets

In general terms, a gender-responsive budget is a tool that provides an opportunity to implement the policy safeguarding the equal rights and opportunities for men and women with respect to access to budget resources. The implementation of gender-responsive budgeting methods is an obligatory precondition to guarantee the equal rights and opportunities for men and women as stipulated by the Constitution of Ukraine.



A GENDER-RESPONSIVE BUDGET (GB)

is a budget that recognizes that budget revenues are created at the expense of specific gender groups among citizens, and budget expenditures are distributed to specific gender groups. A GB involves the analysis of budget expenditures and revenues to identify their impact on specific gender groups. It should be noted that certain social responsibilities may fall more heavily on one social group than another. For example, women generally take care of children and the elderly. Thus a gender budget needs to examine the level of support for children and the elderly in order to draw conclusions in terms of the level of support that the budget provides to women. Men tend to work in mining, so any budget support for miners translates into budget support for men. Thus, GB needs to undertake an analysis of the roles played by men and women in society in terms of care giving, work, leisure activities and so on, and based on this analysis it estimates the impact of specific budget expenditures and revenue measures on men and women.

In summary, GB does not require equal spending on women and men but should incorporate spending that corresponds to the real needs of both genders.

Gender-responsive budgets are a relatively new notion for Ukraine, though this tool is widely used in more than 60 countries, in particular developed Western countries and some CIS countries. Among CIS countries, GB is actively used in Russia, Kazakhstan and the Kyrgyz Republic. Many of these countries not only develop separate gender equality support programs funded from the state treasury, but have also created procedures to compile GB, generated a list of gender-responsive indicators used for the monitoring and evaluation of budget programs and cancelled or introduced separate types of taxes and levies to help insure gender equality in terms of the fiscal burden.

An example of a gender-targeted program supported by the treasury is the North Karelia (1972–1997) project instituted by the government of Finland. This program managed to decrease the level of mortality from cardiovascular pathology by 68 percent and the mortality from ischemic heart disease by 83 percent during this period [N.B. mortality from ischemic heart disease in North Karelia was the highest in the world at one time.] The project was implemented in cooperation with local authorities, the mass media, food industry enterprises, trade enterprises, educational establishments and others. The target group of the project was men 35 to 64 years of age. A clear formulation of the problem and an identification of the target group (having clear gender characteristics), the creation of a strategy and the design of appropriate tactics, all supported by budget funding, generated a very successful outcome that had a long-term positive impact on the socio-economic development of North Karelia in Finland.

A GB can also help to resolve problems of regional sustainable development, especially for single-industry towns. For example, in coalmining cities there is a lack of employment opportunities for women. By focussing efforts and resources to resolve this problem (e.g. encouraging industries where women tend to dominate employment), local authorities will generate higher incomes for the families of miners, provide opportunities for the professional growth of women and help to create a healthier demographic and social situation in the city.

A GB also provides an opportunity for more efficient planning of resources of any country or territorial community, as a budget analysis which takes into account the peculiarities of the consumption of public services by both women and men allows for more LED planning. Implementing GB is especially topical given the Ukrainian demographic crisis.⁴⁶

⁴⁶ Report of the International Centre for Policy Studies: "The Results and Potential of Ukraine," 2007.

3.5. Benchmarking



BENCHMARKING

is the use of data to inform and support policy-making. It is sometimes referred to as “evidence-based policy-making,” meaning that policy decisions should be informed by careful analysis using sound and transparent data. The objectives of benchmarking are to determine what performance areas need improvement, to analyze how “best in class” cities or oblasts achieve higher performance levels, and to use this information to improve the economic and social performance of a city or oblast.

Benchmarking can contribute to the economic development planning of a city or oblast by:

Finding out which performance areas need improvement. Benchmarking can help the city or oblast to understand how its performance compares to those of its peers. Is the city or oblast doing the best that it can? The benchmarking results may bring to light some aspect of social, environmental or economic performance that had previously been unknown.

Pinpointing the underlying causes of the performance gap. Benchmarking helps the city or oblast to pinpoint the underlying causes of performance and learn how to improve it.

Identifying best practices. Benchmarking allows the city or oblast to identify those policies and practices that have resulted in superior performance in other regions and that can be adapted to their own city or oblast. Benchmarking offers a practical way to learn from others that have already undertaken comparable changes.

Targeting public policy. Benchmarking results in evidence that can help the city to better and more efficiently target public policy.

Getting support for change. The benchmarking evidence can bring attention to areas that need improvement and can increase public support for change. Evidence-based policy-making enhances the transparency of policy-making, meaning the general public can better understand how decisions are made and the criteria used by policy-makers to make those decisions. Evidence-based policy-making also allows the public to form reasonable expectations about how the government is likely to behave under given circumstances in the future. This allows business and individuals to make rational decisions, thereby promoting the stability and efficiency of the economy.

Tracking whether the goals of the city or oblast are being attained. Benchmarking can enhance accountability since it gives citizens the ability to monitor the performance of the city or oblast over time and track whether its goals and objectives are being met.

It is important to remember that benchmarking is not an end in itself; it is only a tool that can be used to improve the performance of a region/city. The information generated from benchmarking can provide a basis for subsequent policy recommendations and feed into the economic planning of a city or oblast.

The process of benchmarking consists of three phases:

1. *Preparation phase.* This phase involves developing the benchmarking framework, selecting comparator jurisdictions and collecting the data.
2. *Analysis phase.* This phase involves comparing performance and identifying the performance gaps among comparator jurisdictions.
3. *Implementation phase.* In this phase, city or oblast officials make changes to existing policies or implement new programs aimed at eliminating or reducing performance gaps.

The **preparation phase** begins by developing a benchmarking framework, which consists of a goal, a series of performance categories and indicators for each category. The goal expresses the purpose or mission of the benchmarking project. In the context of local development, the goal should reflect the strategic vision of the city or oblast. Some examples of goals are: competitiveness, economic and social development, and quality of life.

Once the goal has been determined, the next step is to choose the performance categories that will be measured. If, for example, the goal is to be a globally competitive city, the performance categories could include export shares of strategic products and services, FDI attractiveness, business environment and tax regimes, and labour market education and skills. A set of indicators are then identified for each performance category and the data are collected.

The criteria for selecting benchmarking indicators should include the following:

- The indicator must reflect the goal;
- The indicator should focus on outcomes rather than on inputs, i.e., measuring results rather than efforts;

- There should be a general agreement that a movement in a particular direction represents an improvement;
- The indicator should be able to be influenced by public policy; and,
- The indicator should be measured in a comparable way across jurisdictions.

Once the benchmarking framework has been developed, comparator jurisdictions must be chosen. Common criteria for selecting comparator jurisdictions are:

- Political connections (e.g. EU countries, CIS countries);
- Geographic size or location;
- Industrial structure;
- Export competitors or partners;
- Economic output;
- Population size;
- Stage of economic development; and,
- Socio-cultural characteristics.

The **analysis phase** involves comparing performance and identifying the performance gaps among the comparator jurisdictions. This is arguably the most difficult and time-consuming phase in the benchmarking process. Careful and thorough analysis of each performance gap must be undertaken so that the extent and nature of the problems can be understood, with the end goal of this phase being to understand the underlying reasons for both poor and superior performance on each indicator. For example, why is unemployment high in one city compared to another? To answer this question, the benchmarking analyst needs to carefully compare the policies, procedures and practices used in each comparator region.

Finally within the context of the **implementation phase**, city or oblast officials make changes to policies and programs aimed at eliminating or shrinking the performance gaps. In order to be successful, it is important to involve a wide range of stakeholders in this phase so that there is consensus on the actions that need to be taken.

4

STRATEGIC PLANNING FOR LED

Chapter Overview

The situational context in which communities around the world undertake local economic development today is unlike anything we have ever witnessed. It is incredibly dynamic and volatile with the convergence of technology, globalization, changing societal trends and increased stakeholder pressures. In order to not only cope but thrive in this context, communities must be proactive and have a willingness to both adopt change and lead it. The use of strategic planning in economic development reflects the increased sophistication of such endeavours and the need to ensure that the end product is what is wanted and desired. Strategic planning is an important step in assuring that investments in LED efforts use precious local resources (dollars and time) effectively and efficiently. Clearly, without a proper understanding of strategic planning no LED effort will ever be all it can possibly be. This chapter explores strategic planning from the perspective of where it fits in the broader local government framework. It includes a discussion of the breadth and logic of strategic planning, priority setting, the delineation of realistic goals, objectives and tactics, and change management (i.e., moving from “dreams” to realistic and sustainable “outcomes”). Finally, within this chapter the discussion explores the methods (public, public-private and private) by which LED efforts are pursued, and why/how these systems of governance are chosen, introduced, managed and assessed.

4.1. Importance of Planning

Why in the midst of global upheaval and massive structural change is it that some municipalities and regions seem to have the innate ability to focus and mobilize resources on economic development while others never seem to get organized? Why is it that some municipalities adapt very well to economic opportunities and challenges, while others tend to drift? The truth of the matter is success in LED is not simply happenstance; it is about being pro-active, developing an effective “game-plan”, and making things happen.

Planning is central to an effective LED effort because it: (1) increases the municipality’s ability to adapt to future eventualities; (2) helps to crystallize municipal LED goals and objectives; (3) reduces the unnecessary pressures of immediacy; (4) reduces LED mistakes and oversights; (5) ensures a more productive use of scarce financial, physical and human resources; (6) makes control easier; and, (7) increases efficiency and effectiveness.⁴⁷

4.2. Context of LED Planning within Local Government

Local economic development planning does not typically occur in isolation from other municipal planning efforts. Neither does it typically occur outside the broader, longer-term, multidimensional interests of the community at large. In practice planning for local economic development is usually one of several planning exercises that take place within a community, albeit an important one. Each planning exercise works in concert with the other. Each is usually guided by, or under the aegis of a comprehensive community plan, which is a long-range general development plan of 10 to 20 years encompassing the physical, social, environmental and economic development of a municipality. Such community development plans are used to direct public and private development efforts but are not a detailed blueprint. Instead they focus on the main issues concerning municipal development and steer the content and implementation of more specific subsidiary plans such as annual department plans, site plans, LED plans, land use plans and so on. Properly undertaken, the LED planning process strengthens cooperation between the different departments or responsibilities of local government, and promotes aligned and integrated planning between them.

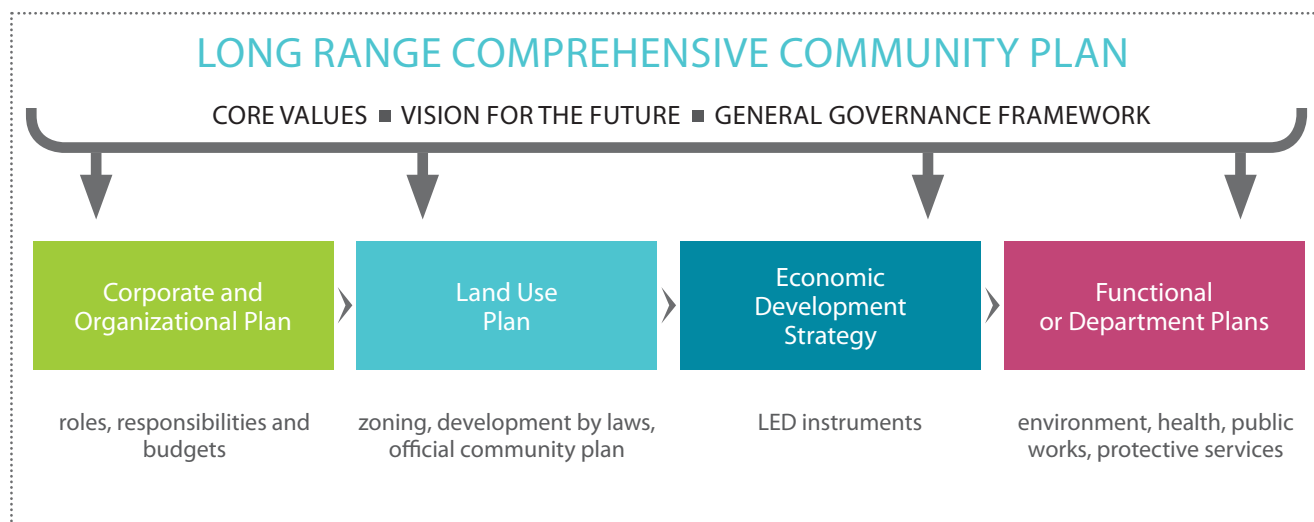


Figure 7.

⁴⁷ "Planning can also help ensure that benefits accrue to both women and men. Without effective planning, women may lose out on new economic opportunities and possibilities." Ms. Beth Woroniuk, MLED Gender Specialist.

4.3. Case for Strategic Planning



STRATEGIC PLANNING

is a disciplined effort to produce fundamental decisions and actions that shape and guide what a community or region is, what it does, and why it does it. At its best, strategic planning requires broad-scale yet effective information gathering, clarification of the mission to be pursued and issues to be addressed along the way, development and exploration of strategic alternatives, and an emphasis on the future implications of present decisions. Strategic planning can facilitate communication and participation, accommodate divergent interests and values, foster wise and reasonably analytical decision making, and promote successful implementation and accountability.”⁴⁸

Broadly speaking, careful and comprehensive planning together with committed and focussed action needs to take place concurrently in order to successfully preserve and enhance economic circumstances and quality of life. On a conceptual basis this implies the engagement of key stakeholders, an adequate understanding and assessment of the context of local development, the establishment of relevant and realistic goals and objectives, and the pursuit of change. On an operational basis this means effectively managing the pressures and character of growth or its absence, recognizing and building on essential local competitive strengths, and moderating and/or ameliorating local barriers to sustainable development. Because planning is less about future decisions than about the future impact and consequences of present-day decisions, all such efforts must be undertaken in a manner that does not limit or hinder efforts to move forward or compromise the ability of future generations to meet their own needs.

A variety of planning modalities exist upon which local economic development efforts are organized, though some modalities are naturally better suited to the task than others. Consider by way of example two of the more typical LED planning modalities: long-range or long term planning and strategic planning. Some differential characteristics are noted in the figure below:

| COMPARISON OF LONG RANGE PLANNING AND STRATEGIC PLANNING | |
|---|--|
| Long Range Planning | Strategic Planning |
| <ul style="list-style-type: none">■ Views future as predictable.■ Views planning as a periodic process.■ Assumes current trends will continue.■ Assumes a most likely future and emphasizes working backward to map out a year-by-year sequence of events necessary to achieve it. | <ul style="list-style-type: none">■ Views future as unpredictable.■ Views planning as a continuous process.■ Expects new trends, changes and surprises.■ Considers a range of possible futures and emphasizes the development of alternative strategies based on a current assessment of the community and its environment. |
| <i>Source: Strategic Planning Introduction for Boards. Ron Hayes, Centre for Professional Excellence, Oct. 2009.</i> | |

Figure 8.

⁴⁸ Chapter 4. Why Strategic Planning Is More Important Than Ever: Strategic Planning for Public and Non-profit Organizations – A Guide to Strengthening and Sustaining Organizational Achievement; revised by John M. Bryson, 2004.

Clearly strategic planning is more suitable to the LED process.⁴⁹ That being said, while strategic planning brings with it some obvious benefits when utilized within an LED context it also brings with it certain fundamental challenges.⁵⁰



Figure 9.

In summary, the increasing use of strategic planning in LED reflects not just the increased sophistication of the endeavour (i.e. the dynamic interplay of economic development factors and situations) but more importantly the value of the methodology. A strategic plan for economic development provides a rational, consistent and defensible basis for determining which economic development opportunities to pursue; when, why and how to pursue them; and, most critically, which economic opportunities to decline.

4.4. Strategic Planning Framework

For many individuals and too many communities, strategic planning is an exercise that receives little attention and often confuses people. However, strategic planning in and of itself need not be overly complex since its essential foundations are neither more nor less than determining where the community or municipality is today, what it aspires to be tomorrow, and how best it can achieve those aspirations. Good strategic planning is by definition clear and well defined; realistic (both in terms of the dynamic structure and content of current circumstances and expectations); balanced (cognizant that there are finite resources in terms of operational, human and financial resources); manageable; flexible (allowing for on the go modifications and changes); and, prescriptive (articulates clear systems of accountability).

⁴⁹ The concept of strategic planning within the context of local economic development is often misunderstood or misapplied. In fact a community might suggest that it is applying strategic planning principles within its LED planning efforts but is actually not. Symptoms that strategic planning is absent include an absence of programming to manage change; absent or poorly defined systems for ongoing evaluation/adjustment; and, an inability to recognize or adjust to frequent, unpredictable adjustments in socio-economic circumstance, which is the very essence of strategic planning and the character of local economic development. This misunderstanding and misapplication erodes the value that a proper strategic planning methodology can offer to a community's LED efforts. It is important to know the difference between the various planning modalities and strategic planning; the rewards of doing it right are well documented.

⁵⁰ Format based on Promoting Local Economic Development through Strategic Planning. Volume 2: Manual, United Nations Human Settlements Programme (UN-HABITAT); ISBN 92-1-131722-3.

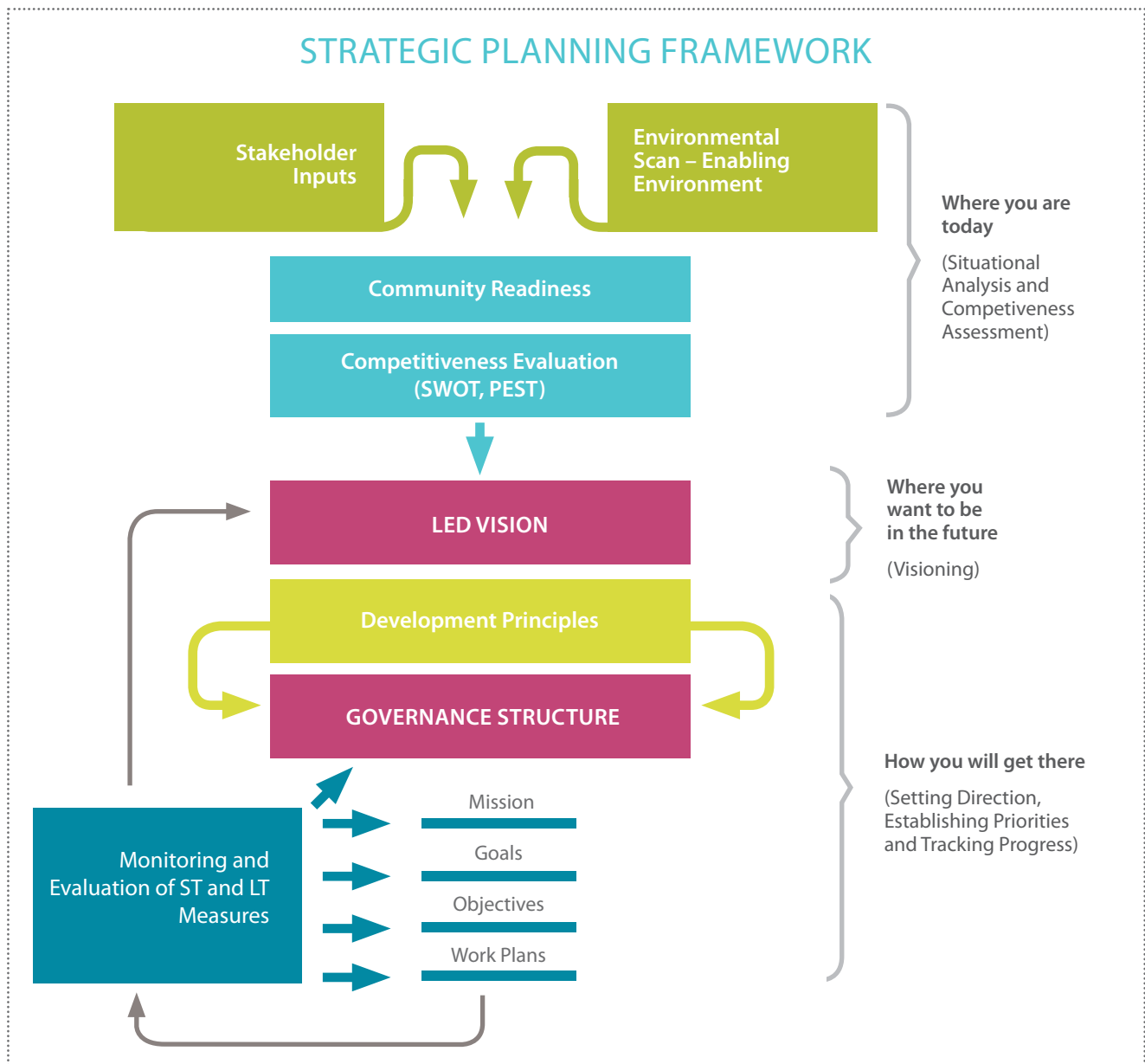


Figure 10.

4.5. Competitiveness Assessment

How a municipality approaches the preparation of its LED strategy makes a big difference to the sort of strategy that emerges and ultimately how that exercise will or will not serve to beneficially impact municipal economic well-being. In terms of process, the first thing a community must understand is its current situation. This is best reflected in the collection and dispassionate analysis of two broad sets of data, including those pertaining to: (1) the internal situation (i.e. conditions and circumstances in respect to such matters as leadership/governance, human capacities/capabilities, business climate, social capital and infrastructure, the regulatory environment, economic circumstances and infrastructure⁵¹) and (2) the external environment (as represented by political, economic, societal, technological and environmental issues/circumstances). Dispassionate analysis of a municipality's external and internal environment⁵² is a prerequisite to ensuring: there is a proper understanding of the municipality's situation; there is an inherent ability to build on its competitive advantages; there are prospects for boosting performance and seeking a more prosperous and sustainable future; and, there is a proper "fit" between dreams and realities. The competitiveness assessment will

⁵¹ Gender considerations should be part of the internal and external situational analysis. This ensures the investigation adequately identifies "competitiveness" in its broadest sense.

⁵² Broadly encompassing the enabling environment and community readiness.

suggest reasonable development objectives and provide a framework for identifying and evaluating key economic opportunities.

In practice, a competitiveness assessment may be broad-based or highly specific, but it always requires a clear focus and purpose. Further it should be undertaken by those with an understanding of how to achieve measurable successes in the effort.⁵³ A popular approach to this task is the use of a PEST (Political Environmental Societal and Technological) analysis in conjunction with a SWOT analysis. PEST analysis focuses largely on broad external factors (the macro environment for local economic development, e.g. globalization) while a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) focuses predominantly on internal and external factors related directly to the municipality itself (e.g. employment or unemployment in local industry, the adequacy of local resources, and so forth.) While more commonly used in business, SWOT and PEST analyses have been used increasingly to guide communities and regions in preparing strategic plans. Because they concentrate on issues that often have the most impact on communities, the SWOT/PEST analyses are particularly useful in efforts to address complex strategic situations.

In practical terms, SWOT⁵⁴ analysis involves the collection and assessment of a broad and diverse array of socio-economic information and the subsequent classification of this information into four broad categories: strengths and weaknesses (internal aspects of the municipality) and opportunities and threats (external situational factors). Strengths and opportunities are the foundation for building a municipality's competitive advantage while weaknesses and threats are perceived as hindering or impeding it. By understanding these four aspects of local circumstance LED planning efforts can be better organized to leverage strengths, correct weaknesses, capitalize on opportunities and deter potential threats.

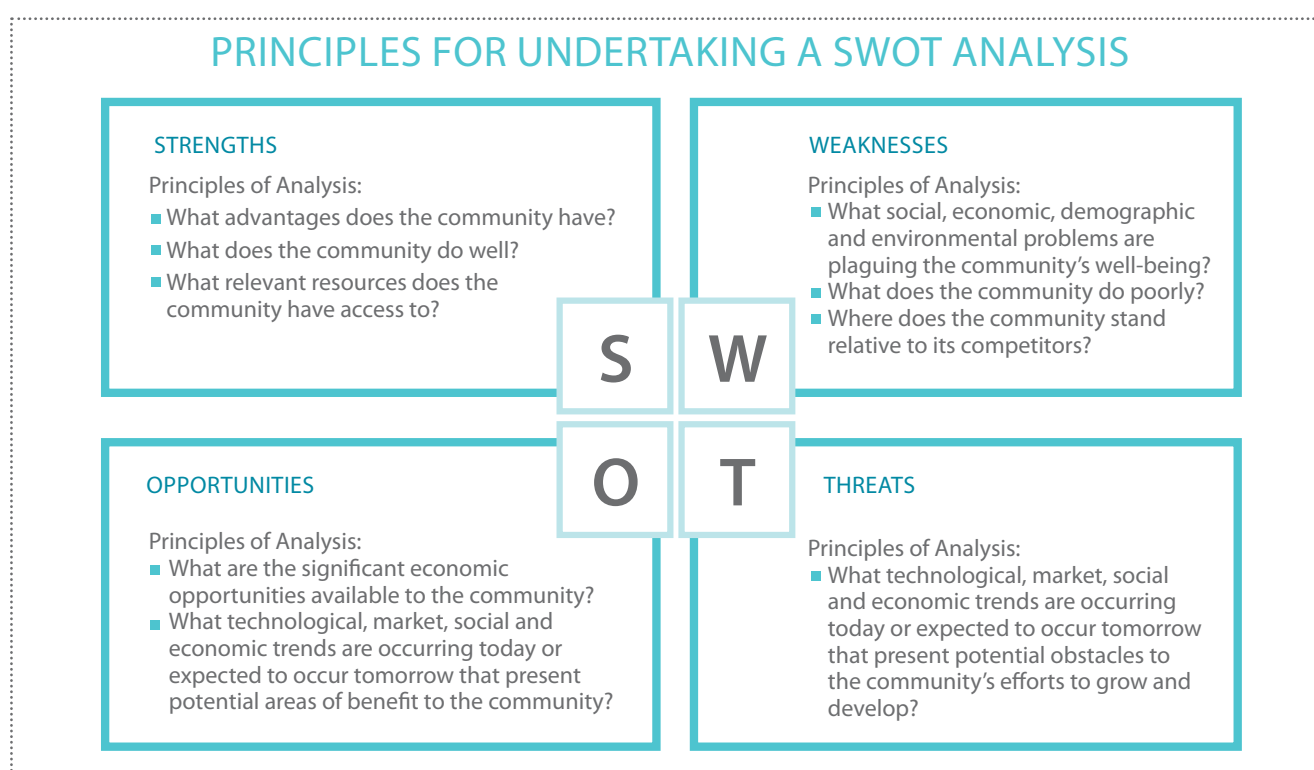


Figure 11.

While SWOT analyses should be guided by and facilitated by someone properly versed in the exercise, SWOTs should not be undertaken in isolation from community perceptions and perspectives. Citizen and stakeholder participation in the competitiveness assessment exercise is critical. Participation must be inclusive, engaged and empowering. In most cases this will mean steering committee meetings, focus group discussions, open forums and one-on-one dialogue with key stakeholders. This may also mean public forums, surveys and the like. As well other information will be required

⁵³ The strategic plan is only as strong as the foundations upon which it is premised, and the critical foundation for a LED strategic plan is a proper situational/competitiveness analysis. Mistakes in completing one can mean frustration and disappointment with the lack of effective LED efforts or, more seriously, a misallocation of scarce financial and human resources. While in most cases the exercise is not overly complicated, it can be. Because of this the strategic planning exercise should be undertaken or alternatively guided/facilitated by someone with proven expertise and experience to do it right.

⁵⁴ In practice the two formats (PEST and SWOT) are usually combined and commonly described as a SWOT analysis.

including the collection and analysis of various published materials (reports, surveys, investigations and analyses) which provide insight into the enabling environment (environmental scans) and community readiness. The critical output of SWOT analysis is a summary chart of competitiveness factors (a format for which is shown below together with some possible examples – in *italics*) and detailed back up on all critical points.

This summary analysis provides the foundation from which the community's vision, mission, directions and priorities (goals, objectives and actions) are prepared.

SWOT SUMMARY OF COMPETITIVENESS FACTORS – AN EXAMPLE

| | Internal | | External | |
|----------------------------|---|--|--|---|
| | <i>Strengths (Positives)</i> | <i>Weaknesses (Challenges)</i> | <i>Opportunities</i> | <i>Threats</i> |
| Demographic | - Population distribution shows a growing proportion of young families. | - Gender inequalities deter LED potential. ⁵⁵ | - There is a significant in-migration of skilled workers into the community. | |
| Economic | - There are numerous business service providers in the community. - Entrepreneurs have ready access to capital within the community. | - The female participation rate is lower than the national average. | - An increased emphasis on Global Value Chains in food production will open up new sub-contracting opportunities for distribution. | - Access to European markets is limited by the absence of a free trade agreement. |
| Social | - New recreational facilities and new cultural centre just opened. | - Students must complete their University education outside community. | | - New national laws make it difficult for NGOs to register. |
| Environmental | - Environmental sustainability is a key LED theme. | - The community does not have a waste management plan. | | - New national environmental regulations prohibit using coal as a fuel source for industry. |
| Infrastructure | - New rail line to service industrial park completed. | - Local roads are in need of repair. - Water supply to outlying areas has limited capacity for expansion. | - New national program to support municipal infrastructure upgrades announced. | |
| Financial | - Local government approves five year core funding for LED. | - Business incubator program fails to attract venture capital partner. | - There is an increase in LED programming on a national level. | |
| Community Readiness Assets | - Municipality announces introduction of BIA to support local businesses. | - It is difficult to engage local citizens in LED planning. | | |

Chart 4.

⁵⁵ The importance of gender equality to local economic development is explored in detail in Chapter 6.

4.6. Setting Direction and Priorities

Given a proper understanding of the municipality's competitive position, the next step in the planning process involves defining and confirming a shared community vision, aligning resources, and developing appropriate efforts to realize that vision. It is essential to start the process by clearly defining direction. The process of defining direction encompasses six interdependent steps.

KEY STEPS IN SETTING STRATEGIC DIRECTION FOR LED⁵⁶

STEP 1. Define & Confirm LED Vision

Vision sets out an optimistic view of where the municipality aspires to be in the future – usually within the next 10–20 years. It is a consensus opinion of what individual citizens, local leaders and LED stakeholders want it to be. Both imaginative and realistic, it draws on the competitiveness assessment and stakeholder inputs then follows logically from the broader community vision. It requires community ownership and awareness if it is to be an effective guide.

Sample LED Vision Statement: City of Moose Jaw,⁵⁷ Canada:

"Our city has a positive business environment and has achieved economic growth through investment attraction."

Sample LED Vision Statement: City of Liverpool, England⁵⁸

1. Liverpool is recognised as a global capital of entrepreneurship and growth;
2. Liverpool is an international investment location;
3. Liverpool is the no. 1 culture and visitor destination in England, outside London;
4. Liverpool City Centre is thriving;
5. North Liverpool is fulfilling its potential.

STEP 2. Articulate Organizational Mission

Mission is defined as the LED organizational purpose or reason for being. The organizational mission sets out who/what the economic development function/organization is, what it does, and how it operates. The mission is the vehicle which leads to the vision.

Sample LED Mission Statement: City of Regina as defined by the Regina Regional Opportunities Commission (RROC), Canada⁵⁹

"[Regina Regional Opportunities Commission] identifies, develops and promotes opportunities that advance economic prosperity for those who live, work, visit and invest in the Regina region."

⁵⁶ Much of this section was developed from a series of practical strategic planning assignments undertaken by Lochaven Management Consultants Ltd. in Canada and internationally and supplemented from insights gathered from Local Economic Development: A Primer Developing And Implementing Local Economic Development Strategies And Action Plans. Gwen Swinburn, Soraya Goga & Fergus Murphy. The World Bank, Washington, D.C. 2006.

⁵⁷ 2011 Operation Plan. City of Moose Jaw Economic Development Commission.

⁵⁸ Liverpool Vision Business Plan 2012–2015.

⁵⁹ Advancing Economic Development and Tourism in the Regina Region. 2012–2015 Strategic Plan, Regina Regional Opportunities Commission.

Sample LED Mission Statement: Madrid Emprende, Spain⁶⁰

"Madrid's Economic Development Agency "Madrid Emprende" aims to promote business in the capital by carrying out different actions on corporate infrastructures and promoting the innovation or competition of the SMEs and the entrepreneurial spirit. It also supports the development of European projects, the internationalization of Madrid's economy and the restoration of the city's social-economic balance."

STEP 3. Identify and Confirm LED Goals

Goals articulate future expected outcomes. They provide programmatic direction and focus on ends rather than means. Goals are an intended outcome that requires action. They are formed by asking the questions: What is possible? What is desirable? What is achievable? Goals flow logically from the community vision and mission statements and realistically reflect local strengths, weaknesses, opportunities and threats. Goals are intended to outline broad themes and intentions.

Sample LED Goals: City of Winnipeg, Canada⁶¹

1. Mobilize and engage stakeholders in the economic development process.
2. Lead and facilitate opportunities for growth within key industry sectors.
3. Promote awareness of Winnipeg's competitive advantages.

Sample LED Goals: ADER Santa Fe (Provincia de Santa Fe), Argentina⁶²

1. To provide consultancy and support to MSMEs in the region and to facilitate access to sectoral assistance programs.
2. To finance productive projects and projects in the MSMEs of the region.
3. To identify needs and characteristics of the different production profiles in the region.
4. To generate training, upgrading and continuous capacity building in the region.
5. To develop territorial projects that support economic and social development.
6. To support the development of local value chains.
7. To promote the entrepreneurial partnerships in the region.
8. To manage internal and external promotional initiatives of regional MSMEs.

Sample LED Goal: Holyoke and Pioneer Valley, Massachusetts, USA⁶³

"4.5.1. Create more sites ready and attractive for development and redevelopment in Holyoke's Innovation District through a combination of identifying priority sites, selectively clearing and remediating abandoned sites, and providing the permitting and incentives to facilitate re-use of sites of buildings. The ultimate objective, consistent with the Urban Renewal Plan, is to remove the real and perceived barriers to business expansion and location at sites and buildings with targeted uses focused on the Innovation District areas primed for development."

⁶⁰ <http://www.esmadrid.com>

⁶¹ 2010–2012 Business Plan a Foundation for Success: Economic Development Winnipeg Inc., City of Winnipeg.

⁶² <http://www.ilsleda.org/leda/agencies-details.php?id=51>

⁶³ Innovation-Based Economic Development Strategy For Holyoke And The Pioneer Valley. Prepared for the Massachusetts Technology Collaborative John Adams Innovation Institute. Prepared by HDR Decision Economics; October 2011.

STEP 4. Set Objectives for Goals

Objectives are concrete statements.⁶⁴ Properly drafted they are: SMART,⁶⁵ where:

S = Specific: An objective must describe a specific action directly related to the outcome that will be measured. The objective must be clear and well defined.

M = Measurable: If you cannot measure it, you cannot manage it. Progress towards objectives must be monitored to track progress. It is important to know when work has been done and the objective completed. Measurable objectives contain either quantitative or qualitative descriptors.

A = Achievable: Agreed objectives should motivate efforts by being realistic/attainable. Achievable objectives ensure that everything is in place for success.

R = Relevant: Objectives must be relevant to the stated goals. Objectives should add value within the context in which they are being set.

T = Time-based: The objective has to be set within a specific but practicable timeframe ("what is required and when").

Objectives are statements of action which when completed will help achieve a stated goal. Objectives tell how each goal is to be met.⁶⁶

Sample LED Objectives: City of Grand Forks, British Columbia, Canada⁶⁷

Objective 1.1 – Foster/promote a broad multidimensional, collaborative and cooperative approach to economic development by engaging citizens and stakeholders in LED planning (spring 2010) and LED implementation committees.

Objective 1.2 – By the end of the planning horizon ensure that the City of Grand Forks business recruitment and attraction efforts yield greater numbers of new businesses locating within the City.

Objective 1.3 – Increase the technical capacity and connectivity of Grand Forks through the realization of broadband capacity development by the end of the planning horizon (2015).

Objective 1.4 – By the end of the planning horizon diversify and strengthen the City's economic base sectors in terms of employment, contributions to regional GDP and local taxes (tourism, manufacturing, services and trade).

STEP 5. Develop Actions to Meet Objectives

Actions are individual activities that spell out in more detail how individual objectives are to be met. To appreciate how the process is integrated, consider the following example taken from the City of Miami Gardens in the USA.⁶⁸

⁶⁴ If there is a failure in strategic planning for LED, and by implication the effectiveness of the attempt, it usually occurs during the setting of objectives. Surprisingly, the task of making objectives SMART is often ignored or poorly executed. Careful attention to this task is critical.

⁶⁵ Performance Management – Creating Smart Objectives: Boise State University, April 2007; and, SMART Objectives; www.changingminds.org

⁶⁶ Prioritization will be an important part of this process. A useful starting point in this regard is the explicit recognition that it is not possible to achieve or do everything. An approach that avoids prioritization is likely to result in everything getting a little attention, but little being achieved in practical terms. In contrast, reducing the overall number of issues and priority outcomes to focus upon increases clarity and helps provide a clearer sense of direction.

⁶⁷ City of Grand Forks Transition Plan. Prepared for the City of Grand Forks on behalf of the Province of British Columbia: Contributed by Lochaven Management Consultants Ltd.

⁶⁸ City of Miami Gardens Comprehensive Economic Development Strategy, 2011.

Example

Goal: Encourage the growth and expansion of existing businesses throughout the City.

Objective: Keep quality businesses and jobs in the City of Miami Gardens by facilitating the expansion of growing firms and designing new business location strategies for 2009–2013.

Actions:

- A. Create and maintain a business registry and database.
- B. Develop and implement a program between the City of Miami Gardens and the Miami Gardens Chamber of Commerce to identify firms, make contact with them and respond to feedback.
- C. Coordinate with the Chamber on a systematic annual visitation and call program.
- D. Establish an annual business survey.
- E. Sponsor import/export seminars with local manufacturers.
- F. Develop a listing of complementary and supporting industrial establishments by sector.

Actions are further described and defined with budgets, timing and individual responsibilities set out in detail similar to the example below.

Example

Goal: Encourage the growth and expansion of existing businesses throughout the City.

| OBJECTIVE | ACTIONS | Timing | Lead | Budget |
|--|--|--------|------------------------|--------|
| Finalize a branding exercise by the end of Year 1. | 1. Create a new municipal logo to be used in all internal and external communications to build local pride of place. | 1–8 | EDO Officer | 15 000 |
| | 2. Develop a new website to highlight the municipality, its programs, services and opportunities. | 1–5 | LED Steering Committee | 8 500 |

STEP 6. Prepare a Detailed Implementation Plan

Comprehensive Implementation Plan. The implementation plan (or aggregate plan of actions), as a subset of the overall strategic plan, is a series of single but interrelated, comprehensive, actionable activities. These action descriptions provide a step-by-step approach to the realization of certain LED goals/objectives. They typically incorporate an indication of the logic, risk and priority, and include the suggested responsibility and budget for each effort. The following chart (sample comments in *italics*) illustrates how individual action plans might be presented within the context of a comprehensive LED implementation plan. Notably there is a logical tie back to community vision, and the relationship with specific LED goals and individual objectives.



SAMPLE FORMAT FOR LED ACTION PLAN

Goal 1: Increase funding for LED implementation
Objective: Identify/evaluate and pursue revenue generating opportunities by 2012 that diversify municipal revenue streams.
Implementation Priority: *Immediate*

Action: Organize a municipal owned/operated for-profit enterprise. Explore and evaluate the feasibility of various opportunities including a farmers' market, commercial kitchen and a business incubator.
Level of Risk: *Moderate*

Key Considerations and Risks (Potential challenges – financial, economic, social, political – in undertaking this objective)

1. Image of government competing with private sector;
2. Requires financial commitment and associated financial risks;
3. Distraction from existing demands that has an impact on the capacity of the municipality to engage in other activities.

Expected Results (Why we are doing it?)

1. Increased revenues for municipality and LED programming;
2. Provides employment opportunities for locals;
3. Provides a service/product that commercial enterprises have ignored.

| Steps Required | Date | Lead Champion | Potential Partners | | |
|--|-----------------|---------------------------------------|------------------------------|-----------------|-----------------|
| Develop an action team and identify a champion. Confirm membership, mandate, roles and responsibilities. | Wk 1–4 | Municipal Economic Development Office | Local financial institutions | | |
| Develop operating models for each of the pre-identified enterprises, including: products/services; target market(s); possible site/locations; organization/operations. | Wk 4–12 | | Local developers | | |
| Conduct an exploratory analysis to determine which idea warrants a complete and comprehensive feasibility study. The exploratory analysis must address the following: (a) Is there a market? (b) Are there significant barriers to the market? (c) Can the enterprise sell its products or services to the market? (d) Can the enterprise produce the product/service to meet market demand? (e) Can the enterprise finances meet its fiscal goals and be sustainable? | Wk 12–15 | | Local business consultants | | |
| Identify the most feasible and best suited (for the municipality) concept business opportunity. | Wk 16–18 | | Legal consultant | | |
| Arrange financing or undertake an internal feasibility study/business plan. | Wk 18–24 | | Environmental specialist | | |
| If feasible, arrange financing (debt or equity financing). Implement the plan. | Wk 25–33 | | GE specialist | | |
| Evaluate and assess ideas that the municipality targets for business attraction. Prepare report. | Wk 17–52 | | Local university | | |
| Budget:\$29,500 | Year 1: \$2,500 | Year 2:\$10,000 | Year 3: \$12,000 | Year 4: \$2,500 | Year 5: \$2,500 |

Prioritization is valuable to the strategic planning effort given the finite supply of financial, human and infrastructure resources on which local economic development efforts are premised. In that regard, the community must balance its limited resources with its desire to ensure LED efforts are as efficient and effective as possible. Various techniques and methodologies can be used to kick-start the prioritization process. In some cases the process may be premised on a singular political/management decision resulting from any of a number of factors from political expediency (e.g. the need to be seen doing something or the need to achieve short term wins) to location-specific familiarity (e.g. there is no history nor interest in public-private partnerships), alone or in concert with broad stakeholder input (e.g. gender equality is a local priority). In all cases prioritization will address a number of essential considerations. The following chart along with a brief explanation conveys how a detailed prioritization process might take place using by way of example the introduction of a business visitation program:

| EVALUATION MATRIX FOR PRIORITIZING PROPOSED LED ACTIONS – AN EXAMPLE ⁶⁹ | | |
|---|---|---|
| Considerations | Action Item: Introduce a business visitation program. Scale: 1–10 | Community- assigned weight Importance |
| Creates employment* | 2 | 10 High* |
| Short-term socio-economic impact | | 5 Medium |
| Long term socio-economic impact | 8 | 1 Low |
| Helps diversify the local economy | 9 | 1 Low |
| Increases incomes for local businesses | 2 | 1 Low |
| Builds community partnerships | 5 | 5 Medium |
| Promotes/enhances gender equality | 6 | 10 High |
| Promotes/supports/enhances environmental sustainability | 3 | 10 High |
| Protects/preserves/enhances local infrastructure** | 7** | 10 High |
| Overall Rating: | | 435*** |

* On a scale of 1 to 10 (low to high) how important is this consideration from a citizen perspective.
 ** On a scale of 1 to 10 (low to high) how significant is the contribution of this activity (business visitation program) to the achievement of this consideration.
 *** An aggregate of scores. Represents the overall rating of the merits of introducing a business visitation program.

Chart 5.

As an initial step in the prioritization process, several significant priority factors are compiled, e.g. the action creates employment, and each is assigned a community proscribed value or weight based upon its perceived level of importance, i.e. a priority of 10 where 1=least important, 10=most important). In practice the list of criteria and relative weight afforded each requires discussion with key stakeholders in a very transparent manner. Other than for the purpose of undertaking a complete yet manageable assignment, there are no predefined priority criteria which should be used in every LED instance or specific numbers of criteria that are required to reasonably assess priority.

Each proposed LED action is subsequently evaluated in terms of how each satisfies or serves to meet community proscribed prioritization criteria. Thus in the example discussed previously – the introduction of a business visitation program – the perceived impact on a community priority of creating employment (which in this example is regarded as very important, i.e. a weighting of 10) is expected to be quite high (in this example a value of 8 as indicated in the chart above). Clearly in most cases measuring anticipated effectiveness is highly subjective and therefore should be done by local practitioners in concert with knowledgeable stakeholders to ensure that while the measure need not necessarily be exact it should be credible. The two numbers (relative impact, i.e. 8, and relative importance, i.e. 10) are subsequently multiplied, and the process of aggregate assessment goes on to assess other considerations, i.e. the contribution to diversification, builds community partnerships and so forth. The aggregate scores of each proposed action are set out and a selection of the highest priority items are tagged for implementation. While this technique is somewhat convoluted and difficult, it provides a visible and defensible delineation of LED actions.

⁶⁹ City of Grand Forks Transition Plan. Prepared for the City of Grand Forks on behalf of the Province of British Columbia. Contributed by Lochaven Management Consultants Ltd.; LED and Strategic Planning. Presentation delivered by Lochaven Management Consultants Ltd.

4.7. Development Principles

A proper LED strategy is premised on a range of development principles that guide implementation, and ensure desired goals and objectives are achieved. These are not dissimilar from LED guiding principles as discussed in Chapter 1, nor would one expect them to be. These principles are usually articulated within the context of the community visioning exercise and are refined during goal setting. As a rule, several common guiding principles and values are the basic foundations found in most strategic plans. These principles direct how the organization and municipality go about the task of achieving LED goals by positioning activities and efforts for maximum impact and consistency in implementation. Some of the more typical development principles in LED efforts are listed and described in the chart below.

| COMMON DEVELOPMENT PRINCIPLES | |
|---|--|
| Development Principle | Overview |
| Partnering and Partnerships | Most strategic plans broadly embrace the needs, aspirations and interests of all stakeholders within the municipality. Working together with a range of stakeholders ensures synergies are realized. Inclusiveness builds ownership and limits the impact of limited resources and high growth demands. Effective working partnerships are essential prerequisites to realizing the municipality's vision for economic development. |
| Leadership | Leadership is an essential prerequisite to LED success and is the mainstay of every strategic planning effort. Leadership sometimes means tough decisions but ensures commitment and conviction. Leadership inclusion in LED implies inclusion of key decision makers in the process. |
| Creativity | Today's challenging and competitive global economic environment puts significant pressures on communities as they move forward. Balanced socio-economic growth and a sustainable, attractive quality of life certainly require planning, hard work and are not easy to attain. Rapid technological, political, social and economic change demand new responses and new approaches. "Thinking outside the box" has become the norm rather than the exception. Success requires approaches that are creative and responsive to the unique and dynamic challenges and opportunities that individual communities face now and will face in the future. |
| Attention to the Needs of Local Businesses | The rush to promote or attract something new often neglects the fact that, in many cases, the "best" growth in the local business sector comes from businesses already located and invested in the region. Studies in North America show that up to 80 percent of all new jobs are created by existing firms rather than by attracting new businesses to communities. Further, business attraction efforts are less likely to be successful if existing businesses are not happy with the local business climate. |
| Expeditious and Action Oriented | The value in planning lies not in the exercise of endless contemplation but in the careful, conscientious and deliberate delineation of feasible and relevant actions and activities. The success of planning in turn relies in large measure on the manner and method of delivery. |
| Flexible and Opportunistic | The broad challenge of achieving success in economic development today is to define and align practical strategies and make them relevant in a dynamic and rapidly changing socio-economic environment – one in which the challenge lies in simultaneously coping with the pace of change, managing it and understanding its complexity and its constancy. In a time of "moving targets," rigid and staid approaches are often inappropriate and can even be detrimental; being flexible and responsive is critical. Success is often determined by how well-positioned a municipality is to take advantage of changing circumstances and opportunities. |
| Community Engagement | Community engagement and the commitment it builds are essential pre-requisites to the strategic planning process. |
| Sustainability⁷⁰ | A sustainable economic development strategy uses many of the same best practices as other kinds of economic development strategies but is focussed on different kinds of technologies, products, processes, companies and markets. |

Chart 6.

⁷⁰ Sustainable Economic Development Initiatives, Programs and Strategies for Cities and Regions: James Nixon, Sustainable Systems, Inc., July 2009.

4.8. Change Management



"The vision must be followed by the venture. It is not enough to stare up the steps – we must step up the stairs."

Vens Howner

Completing a strategic plan is just one part of the exercise; implementation is the essential other. Implementation is fundamentally about change, i.e. progressing from “here” in terms of socio-economic well being to “there” in terms of the articulated municipal vision for local economic development prosperity. Effective implementation therefore requires the concurrent design and implementation of a change management process to ensure that municipal officials, staff and community stakeholders accept and embrace the transition process. That process of change management typically encompasses seven essential steps:

Step 1: Establish a Sense of Urgency: Change does not occur without the sense of a need to change. In order to create a necessary sense of urgency, LED leaders need to motivate staff, stakeholders and citizens to become best in class and challenge them to be part of something significant. This process can be accomplished by educating stakeholders on the broad array of socio-economic reasons and forces that are driving the need for change, informing individual citizens and stakeholders that planning for successful change has taken place, and confirming how that success is defined.

Step 2: Form a Powerful Guiding Coalition: It is critical to the success of the change effort that the municipality builds a strong and powerful coalition. It is highly important that the group include leaders and key stakeholders sufficient to provide enough power (by position, connections, expertise and/or financial clout) to lead the effort. In order to be effective the group needs to work as a team.

Step 3: Reinforce the Vision of Change: Transformational change is a function of the ability to reinforce and foster a broader community awareness of the municipality’s vision of itself in the future. This vision helps clarify the direction in which the municipality needs to move. Greater awareness of the vision sparks motivation, helps ensure all projects and changes are aligned, provides a filter to evaluate how the municipality is doing, and offers a rationale for the changes the community must weather together.

Step 4: Empower Others to Act on the Vision: The empowerment process is threefold: (1) remove as many obstacles as possible that stand in the way of change; (2) redesign processes and structures in order to support the change initiative; and, (3) encourage staff and stakeholders to take risks and become innovators. LED leaders need to recognize that the community may buy in and get motivated but without top level support, the required resources, adequate tools and encouragement for thinking outside the box, the effort to change will not be successful.

Step 5: Plan for and Create Short-Term Wins: LED requires an extended period of time, which makes it critical that leaders implement strategies to ensure momentum is maintained. Planning and ensuring the transition produces short-term wins helps maintain the sense of urgency. Short-term successes need to be visible and celebrated.

Step 6: Consolidate Improvements and Maintain Momentum: LED accomplishments and gains need to be consolidated to ensure the local LED team remains motivated.

Step 7: Institutionalize the New Local Economic Development Effort: It is important to ensure that strategies exist to institutionalize the new LED paradigm in order to make the change sustainable. This can be done by: (1) articulating the connection between the new strategies, actions, activities and LED success; and, (2) developing the means to ensure there is a process of ongoing leadership development and succession.

A commitment to a change management process makes the task of implementing the local economic development strategic plan less problematic, more robust, and ultimately better suited to ensure sustainable success.

4.9. LED Organizational/Operational Structures and Governance

Implied within the strategic planning process is the existence of an appropriate organizational/operational structure and systems of governance from which the LED effort will be undertaken. In most instances the structure already exists and is usually adaptable to the needs of the plan. In practice, however, the needs of the plan are often adjusted to suit existing LED structures.⁷¹

Local government's delivery of economic development can take a variety of forms. The decision as to which is the most appropriate governance model is seldom easy to make, though strong evidence suggests that a poorly conceived organizational structure can seriously impede success and vice versa. Other than the obvious impact of legislative dictum, the choice of appropriate structure is a function of:

1. What type of organization can reconcile the need for broad representation of the various stakeholder interests involved in LED?
2. What type of organization can adequately represent public, private and civil society interests in LED without being subservient to any of them?
3. What type of organization can marshal the necessary resources of the municipality to pursue a concerted LED effort?⁷²

The following chart⁷³ offers a comparison of three possible LED delivery or governance models, the choice of which will vary by community and circumstance: (1) private (arms-length delivery); (2) public (an in-house effort); and, (3) a blended public-private partnership.

In terms of operational structures, various models or approaches can and are used. Each depends on the relative positioning of the organization within or external to the municipality's governance system, the importance of flexibility to deliver local economic development services effectively and efficiently,⁷⁵ and the mandate, activities, budget and capacity/sophistication required to effect the effort. The following illustration is an example of a relatively comprehensive LED operational structure within a Canadian city of 100,000.

In the example above the LED operational effort or function resides within the structure of the city though it uniquely maintains an external advisory board of key stakeholders.

Other operational structures or formats have gained in popularity where multi-focussed organizations align themselves for mutual benefit in terms of resource allocation/use and operational effectiveness. Alignments of LED agencies with workforce development authorities (such as in Stanislaus County, California, USA), chambers of commerce (Denver, Colorado, USA)⁷⁶, tourism promotion agencies or with marketing alliances ("Niagara Original" in Niagara region, Ontario, Canada) are fairly common, as are alignments between regional and local agencies and within community collaborations such as the Appalachian Council of Governments (ACOG) in the USA, AULEDA in Albania, and Venture Taranaki Trust in New Zealand.

⁷¹ This is not intended to imply that because an LED organization/operation already exists that the strategic planning process is flawed. Rather, because the strategic plan is based on an appreciation for the enabling environment and community readiness within which organizational and operational structure is part of that investigation, the capacities and capabilities of the organization are already inherent in the process of delineating goals, objectives and actions.

⁷² Small Town Economic Development: Principles of Organization. Robert W. Shively, 2000.

⁷³ A Guide to Preparing the Economic Development Element of a Comprehensive Plan. Wisconsin Economic Development Institute, Inc., August 2003.

⁷⁴ An interesting review of selected Canadian LED agencies and thoughts on their respective governance models and the relative advantages/disadvantages of each can be found in Delivery Models of Local Economic Development: An Analysis of Internal and External Models in Ontario. Stephen Thompson. Papers in Canadian Economic Development, Volume 12, 2009.

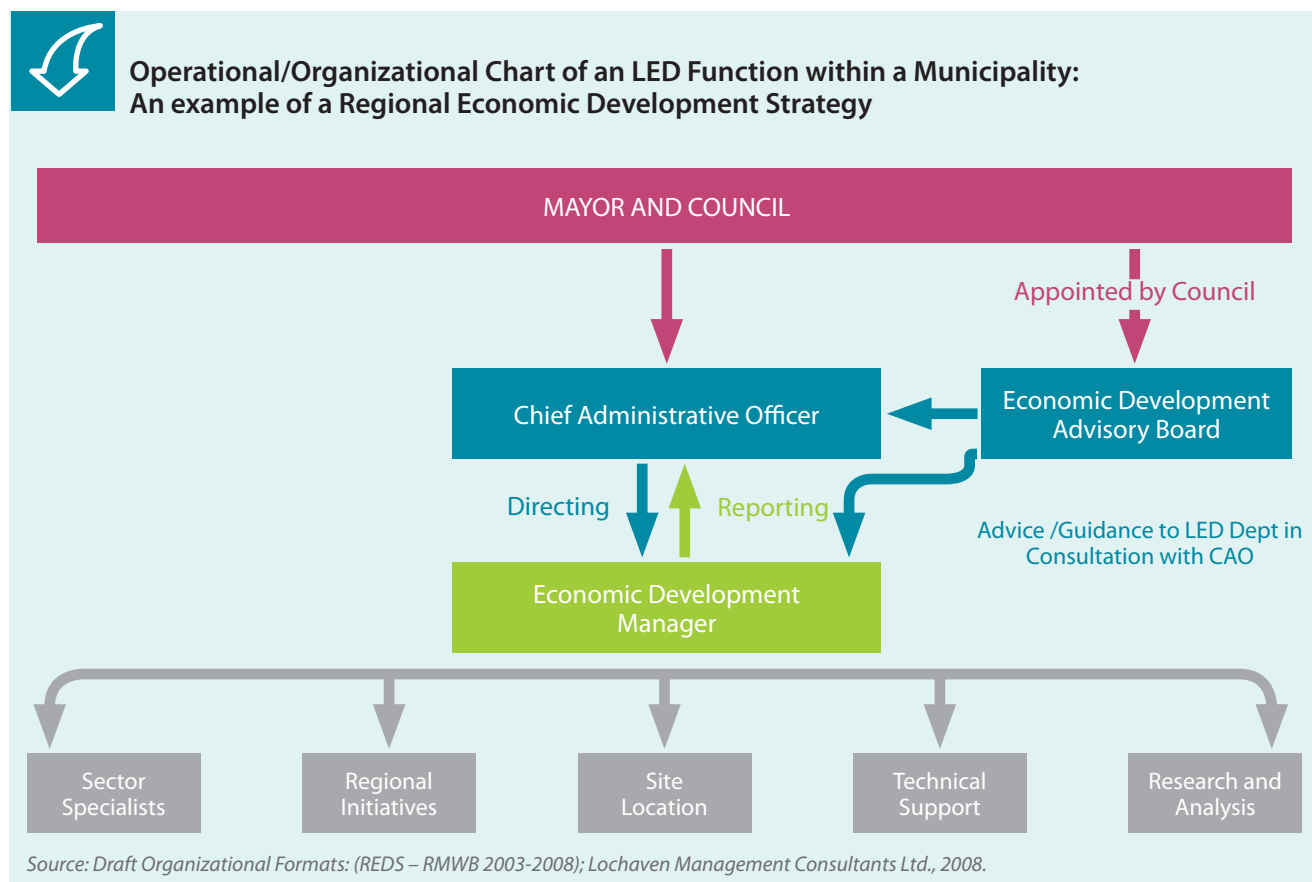
⁷⁵ "The search for the best organisational arrangements to promote local economic development has been a significant task for municipal governments and their partners for several decades now. [There is] an established consensus that economic development activities are unlike the other roles and responsibilities of local governments. They are primarily 'market facing' (labour markets, property markets, investment markets, etc.), rather than 'citizen facing', and involve market-based transactions, and incentive structures, rather than public service delivery (although good public services are critical to wider economic development). Development Agencies and companies are especially suited to 'contested' activities such as locational and investment decisions, or 'collaborative' activities (such as multi-party planning and joint ventures). Such economic development interventions may need to be delivered by market-like bodies and business-led approaches (brokerage, marketing, joint ventures, incentives, capitalisation, competitive recruitment, etc.): OECD/D. Mountford, "Organising for Local Development: The Role of Local Development Agencies. Summary Report": 26-27 November 2009, working document, CFE/LEED, OECD; www.oecd.org/dataoecd/54/41/44682618.pdf?contentId=446

⁷⁶ The document Organizing for Economic Growth: A New Approach to Business Attraction and Retention in San Francisco (SPUR REPORT: Adopted by the SPUR Board of Directors, July 15, 2009) provides an excellent overview of various LED governance structures and a detailed discussion of the various pros and cons associated with each modality.

LED DELIVERY OR GOVERNANCE MODELS

| | Private (Arms length) | Public (In-house) | Public/Private Partnerships |
|--|---|--|---|
| Funding sources | Contributions of businesses, chambers of commerce, local industries and individuals | Government funds (taxes); grants | Government funds (taxes); grants |
| Governing-body | Board of directors elected from among membership | Mayor and city council elected by the public | Elected and appointed individuals |
| Legal form | Non-profit | Government agency | Non-profit |
| Operational advantages⁷⁴ | <ul style="list-style-type: none"> Not restricted by political boundaries Structure allows confidentially on important issues (e.g. identity of prospects) to be maintained | <ul style="list-style-type: none"> Direct access to incentives: property tax abatements, urban development assistance grants, etc. Effective in providing development infrastructure: roads, sewer lines, water lines, etc. Access to policy makers | <ul style="list-style-type: none"> Not restricted by political boundaries Structure allows confidentially on important issues (e.g. identity of prospects) to be maintained |
| Representation | Speaks effectively on business sector interests | Speaks effectively on public sector interests | Structure allows input from all sectors of the community via elected city officials |
| Board size | Tends to be small: 5 to 10 members | Tends to be large: 15 or more members | Tends to be moderate: up to 15 members |
| Examples | <ul style="list-style-type: none"> Development corporations Chambers of commerce | <ul style="list-style-type: none"> Port Authorities Local government programs | <ul style="list-style-type: none"> Economic development organizations or agencies |

Chart 7.



Regardless of the operational format chosen, which as noted above will vary by community and circumstance, certain characteristics are inherent with all successful operational structures, specifically⁷⁷:

- They operate with a clear vision of how their organization will work toward the desired vision for the future of their community which is widely held by local leaders;
- They have written strategic plans that guide their overall activities. These strategies keep leaders focussed on actions that lead to long-term improvements;
- They have a focussed mission;
- They measure performance based on stakeholder and customer feedback rather than on announcements, jobs created or other measures;
- They have a culture focussed on external conditions (customers and markets trends) rather than internal processes;
- They have a commitment to the extended use of training and innovation tools; and,
- They are in a community environment that supports the need to acquire and maintain top talent. They recognize that talent within the organization and in the community is the most important competitive asset in economic development.

Because municipally driven LED efforts seldom exist in isolation, the matters of complementarity and synergy play a significant part in the decision as to which governance model and operational structure to pursue, not to mention the focus and scope of LED efforts.

⁷⁷ Best Practices in Regional and Local Economic Development: Taimérica, August 2009.

5

LED INSTRUMENTS

Chapter Overview

The previous chapter made the case that success in local economic development requires, among other things, good planning, an effective process of change management, and a proper governance structure. This chapter introduces and describes LED from the perspective of how it is operationalized, i.e. moving from planning to implementation. In this regard the narrative that follows sets out and describes those core operational functions or themes of LED programming, and subsequently introduces and describes a selection of individual modalities and instruments by function. Notably the instruments presented represent but some of the myriad of modalities available though they represent a good cross section of typical approaches. Some international examples of selected LED modalities are also presented to better explain how they are implemented in practice.

Because each municipality is unique, it is logical that each should and would have a different approach to undertaking local economic development. And while this is true, there are nonetheless certain core functions that define the scope of every LED effort. Differentiation amongst individual municipal LED efforts is best reflected by the different emphasis that is afforded each of these functions (including an absence of emphasis); and the range of specific actions and activities undertaken within the context of each function.

LED functions, as noted in the chart opposite, include efforts and activities to promote/enhance retention and expansion of local businesses, entrepreneurial development, business and investment attraction, workforce development and community cash flow development. Inherent within each of these interrelated functions is an almost infinite range of activities, models and modalities. A brief description of these functions, including typical activities and sample modalities⁷⁸ follows below.

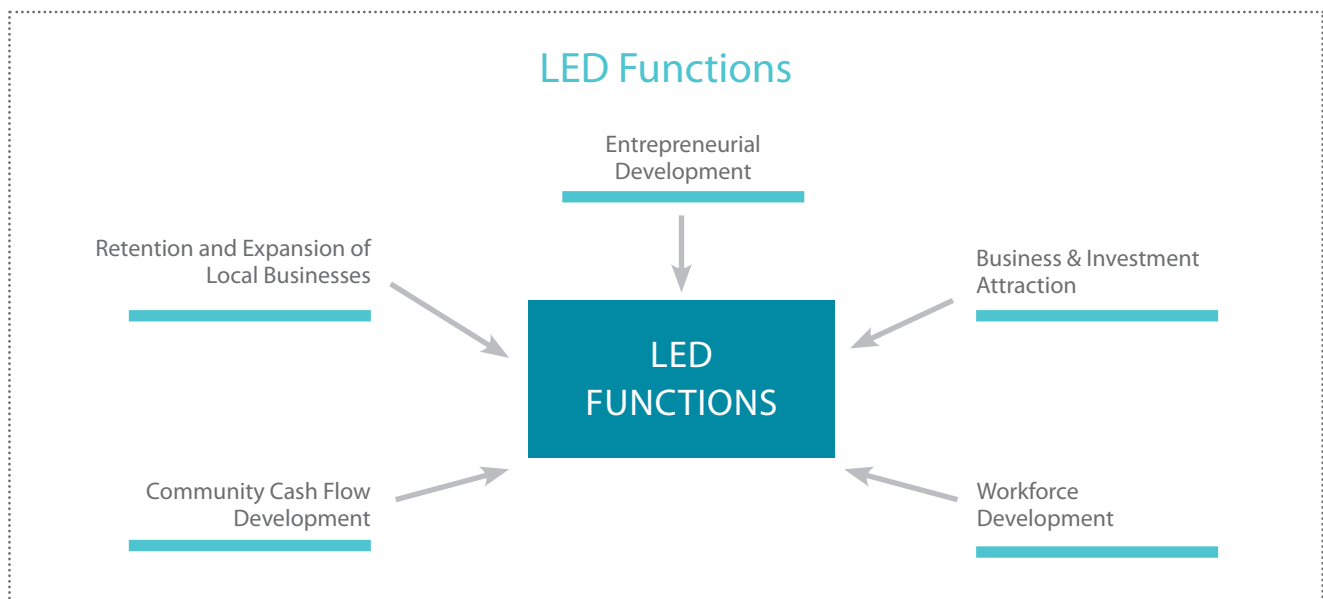


Figure 12.

5.1. Business Retention and Expansion⁷⁹

Once considered of lesser value and hence interest, business retention and expansion (BRE) programs as a core LED function have over the past five to ten years gained considerably more attention within the context of LED planning and implementation. This surge in popularity of BRE initiatives is driven by a better appreciation for the substantive contributions existing enterprises make to local economic development. Such “in vogue” modalities as economic gardening and business appreciation programs are but two examples of this resurging interest in utilizing BRE as a cornerstone of an LED effort. At its most basic a formal BRE program seeks to foster local economic development by building relationships between local government and local companies in order to: (1) help local enterprises grow and become more competitive; and, (2) help local enterprises who are at risk to overcome difficulties. A strong BRE program ensures that the needs of local businesses are both heard and addressed. BRE programs are low-risk, positive community outreach activities.

The direct benefits of a properly executed BRE program include new jobs, increased incomes and enhanced taxes as a consequence of supporting enterprise growth; and the reduction and/or elimination of potential lost jobs, lost community incomes, and lost tax revenues as a consequence of assisting local enterprises at risk. BRE programming may have greater potential for expansion and impact than efforts to start new enterprises or search out relocation candidates. A retention program and its related activities visibly imply that the organization leading LED is interested in the continued well-being of existing businesses and the people who run them. A strong BRE program makes it easier


⁷⁸ It includes a number of examples set out by MLED in its list of LED models for demonstration project development (initially drafted by HMC Management Inc.)

⁷⁹ Much of this information is taken from: Existing Business Initiative (EBI) Toolkit – An Economic Development Resource for Iowa Communities: Iowa Department of Economic Development, 2009. There is also excellent discussion on BRE principles and approaches in: Economic Development Handbook: Revised and edited by Jonathan Q. Morgan, PhD., third edition, 2009.

to attract new businesses if there is evidence that existing businesses are being supported, are expanding, and are remaining in the community.

| Typical BRE Services/Programs | |
|---|---|
| Business visitation to learn about business needs, concerns and issue. | Assistance in obtaining incentives or providing loan packaging. |
| Assistance with government procurement or contracting. | Obtaining export assistance for locally produced product lines. |
| Technical assistance as to production, waste management and similar needs. | Facilitation of training and education programs for management and workers. |
| Providing referral to targeted regional/national business assistance programs. | Organizing executive and management roundtables. |
| Promotion of improvements in infrastructure and public services as needed to address business issues. | Support as to zoning, land development and redevelopment initiatives. |
| Advocacy as to the impact of permit and regulatory decisions. | Recognition as to contributions of existing employers to the economic and social well-being of the community. |
| Involvement in community quality of life efforts to increase the attractiveness of the community/area as a place to live and do business. | |

Chart 8.



MULTI-ETHNIC BUSINESS RETENTION AND EXPANSION PROJECT, MINNESOTA, USA

A comprehensive business retention and attraction program can be a complex and costly undertaking. As such there is often considerable value in refining the task by reducing the numbers of activities associated with the BRE effort or concentrating on a smaller segment of the business community, i.e. a sector specific approach. By way of example, in greater Minneapolis-St. Paul, USA community leaders, government agencies, higher education and economic development agencies came together to study and develop a common issue agenda for the purpose of identifying and addressing the needs of one of the municipality’s high potential enterprise sectors: small- to medium-sized urban “ethnic businesses.” The purpose of the investigation was to take an in-depth look at barriers, challenges and opportunities to retain and expand ethnic businesses in the greater Twin Cities metropolitan area and to use this information to strengthen LED activities to support these enterprises and enhance their beneficial impact to the municipality and region.

A Sample of LED Tools – Business Retention and Expansion

Business Improvement Districts

What are they? A business improvement district (BID) or business improvement area (BIA) is a defined area within which businesses pay an additional tax or fee in order to fund improvements within the district's boundaries. BIDs may go by other names, such as business revitalization zones, community improvement districts, special services areas or special improvement districts. BIDs usually provide a range of services to businesses within the zone such as security, capital improvements and joint marketing. The services provided by BIDs are additional to those already provided by the municipality.

Legislation is usually necessary to permit local governments to create or authorize a BID. The process for creating one varies from one jurisdiction to another, but generally involves one to three steps. First, some number of businesses within a specifically defined area in the community (often the downtown) will petition the local government to seek authority to create the business improvement district; second, the local government will confirm that a majority of businesses want the BID; and, finally, the local government will enact legislation creating the BID. The local government might choose to enact BID legislation on its own, i.e. without a formal expression of interest by the business community, but this approach is not the norm for most cities.

A BID, while representing the collective interests of mostly private enterprises within a predefined area, is usually operated by a not-for-profit organization or by a quasi-governmental entity separate from the LED agency. The governance of a BID is normally the responsibility of a board composed of some combination of property owners, businesses and local government representatives. Its management is usually the job of a paid administrator.

What resources are required? Typically, BIDs require a commitment from all of the businesses within the identified BID zone since the organization may become a legally incorporated body with specific responsibilities, including the collections of fees from its members.

How does this benefit the municipality? BIDs are often created to improve the image and functionality of defined areas, which can lead to increased economic activity, development and job creation. Because BIDs formally network area businesses they also provide a platform for mutual cooperation amongst members that can lead to enhanced business stability and opportunities for growth.

What are the challenges and risks? Risks involved in this type of venture centre on the cost and obligations of local private sector interests (business operators and owners within the BID) and hence difficulties in recruitment. Other challenges include the implied difficulties where there is not unanimous consent to participate; and, in accurately measuring benefit to the operators and municipality (see Chapter 8 below).



BUSINESS IMPROVEMENT DISTRICTS - AN INTERNATIONAL PERSPECTIVE

The first international business improvement district (BID) was the Bloor West Village Business Improvement Area, which was established in Toronto, Canada in 1970. Today there are more than 70 BIDs in Toronto alone and more than 400 in Canada. The first BID in the US was the Downtown Development District in New Orleans (est. 1974); there are now more than 1,200 across the country. These unique public-private partnerships have been established in New Zealand, South Africa, Jamaica, Serbia, Albania, Germany, Ireland, the Netherlands and the UK. While each BID is driven by the private sector with public sector participation, several municipalities in Scotland have taken an interesting approach to their support for BIDs. Specifically they have sought to promote the organization of tourism BIDs and other themed BIDs, such as "cultural BIDs" and food and drink BIDs. These efforts while successful require considerably more local government leadership and participation. As an interesting aside, increasingly throughout North America and Europe, BIDs are providing participants a united platform from which to lobby local governments for improvements such as new sidewalks, trees, park benches, and other municipal restorations and upgrades.

Clusters and Value Chains⁸⁰

What are they? Both value chain and cluster approaches to local economic development are similar. The similarity is that they both are premised on an understanding that individual firms often face sector-level constraints that they cannot address alone. Therefore, any effort to increase competitiveness with its implied LED benefits must do more than support individual firms but rather emphasize a process of inter-firm cooperation. In that regard clusters focus on enhancing the synergies of firms that are geographically concentrated; and value chains seek to foster individual firm development by enhancing value along the flow of products/services from input suppliers on to end-market buyers. Both concepts are discussed in detail below, beginning first with a more exact differentiation between two approaches.

Differentiating Between Value Chains and Clusters

| | Value Chains | Clusters |
|------------------|---|--|
| Definition | The value-creating flow of a good from raw materials, production, commercialization, and ultimately delivery to end-users or consumers. | A geographic concentration of interconnected businesses, suppliers, and associated institutions creating direct and indirect synergies among them. |
| Geographic Focus | Entire value chain, regardless of location. | Typically, industry firms are in a concentrated geographic area, which may or may not include an entire value chain. |
| Relationships | Sequential. | Cooperative & Competitive. |
| Value Added | Allow firms to focus on core competencies. | External economies. (The cost-saving benefits of locating near factors which are external to a firm, such as locally available skilled labour, training, and research and development facilities.) |
| Major Outcomes | Increase profits & sales and cost reductions. | Information and knowledge sharing. |

The Origin of Networks and Public Policy, Stuart Rosenfield.

Chart 9.

Business Clusters

What are they? The term “economic or business cluster” refers to a group of firms that profit from their association with one another. The cluster approach to development focuses on geographic concentrations of interconnected companies and their interactions. In particular, it concentrates on the synergies between these enterprises. Firms within a cluster share certain types of inputs or outputs (e.g. raw materials, a labour force or customers). The advantages offered by a cluster vary but are usually linked to what are known as economies of agglomeration in inputs, outputs and labour markets. If a number of firms in a region are making, for example, computer processors, then firms selling raw materials to them can take advantage of this relatively larger market (more than a single purchaser) for their goods, and similarly the manufacturers will likely have choices among raw materials suppliers giving them greater power to control prices. In labour markets, having a number of companies depending on a similar skill set might mean that a regional labour pool can be developed to allow workers greater flexibility and scope in employment opportunities.

Less directly, clusters are understood to offer benefits from “knowledge spill overs” with more sophisticated networks of relationships that increase the transfer of best practices among firms. The shared labour pool and the inevitable shared social networks that result as a consequence of cluster development mean that companies can learn from one another more quickly than they would in isolation.

The geographic scope of economic or business clusters is a matter of considerable debate. While some definitions focus on geographic proximity, other applications of the term see cluster benefits in attenuated value chains with global extents. In practice the geographic extent of clusters is typically defined by the region of interest of a LED agency, by expert opinion, by the limitations of data on industry linkages that are rarely collected at scales finer than county-level or some combination of these.

⁸⁰ Value Chains And The Cluster Approach Best Practices In Transforming Relationships To Increase Competitiveness And Focus On End Markets. Microreport #148. USAID. Best Practices In Implementation Paper Series. October 2008.

What resources are required? To put in place a business cluster that is not driven by the private sector is difficult and some might suggest misguided.⁸¹ Properly executed it will require the coalition of prospective representatives from within the cluster and representatives of the local government (to provide guidance and policy direction). Initial first steps typically include an assessment and analysis of linkages and sectoral trends to determine what might bind the firms in the cluster together and the preparation of a business plan for its realization. The operation of the cluster itself might be formal or informal with a simple verbal agreement to collaborate/cooperate on the one hand or the articulation of formal joint buying/marketing agreements on the other.

How does this benefit the municipality? Clusters have the potential to benefit local communities by improving the performance of individual enterprises in respect to: (1) increasing the productivity of the companies in the cluster; (2) promoting/fostering innovation; and, (3) stabilizing local businesses and stimulating the creation of new businesses and new jobs.

Clustering helps municipalities direct their economic development and recruitment efforts, and it encourages them to refocus efforts on existing industries. Communities understand that the best way to expand their own economies and those of the surrounding region is to support a cluster of firms rather than to try to attract companies one at a time to an area. For small and developing businesses, locating in a cluster near competitors and related industries may aid the firm in faster growth, recognition and status within the market. Economies of scale can be gained by group purchasing within the cluster.

What are the challenges and risks? A concentrated industrial base (uni-dimensional cluster-focussed development) has a potential downside if the concentration is oriented too closely to a single “vulnerable” industry. A community that has reaped the benefits of a cluster for a long period of time may also find it very difficult to adjust during a period of downturn for the industry central to their cluster.



ENVICRACK ENERGY CLUSTER, CZECH REPUBLIC

There are numerous forms and formats of clusters. Cluster initiatives within the renewable energy sector have emerged in several European countries in recent years. One of these is the Envicrack cluster in the city of Ostrava in the eastern Czech Republic. The Envicrack cluster was founded in 2005 as an open syndicate of companies with the legal format of a cooperative. It consists of 25 companies, one university and two private research institutions.

The region in which it was developed is characterized by: a skilled, low-cost labour force; R&D facilities and institutions, industrial zones, science-technological parks and business incubators; a high density of infrastructure; an advantageous location between Poland and Slovakia; and, excellent transportation facilities, including an international airport with the potential for growth. The strategy of the cluster consists of two objectives: (1) The development of pyrolysis technology in the field of utilising assorted waste and dry biomass for electricity and heat production; and, (2) strengthening the competitiveness of its members.

Synergies of the cluster aimed at improving its members' competitiveness include the following:

- Common laboratory devices and facilities;
- Training activities and HR development;
- Joint PR and marketing activities;
- Educational programs and materials for teaching environmental issues;
- Benchmark studies of innovation performance and efficiency; and,
- Information system for cluster members, including coordination of common projects and joint procurement possibilities.

The success of the cluster seems to be a combination of its advantageous regional framework, cluster-friendly policies at both the national and regional level, and strong engagement from local SMEs.

Energy sector: Envicrack energy cluster, Czech Republic. EMCC Case Studies

⁸¹ “Despite the ongoing efforts funded by the European Commission, there’s little evidence that a cluster can be successfully ‘engineered.’ Case study: What can we learn from Europe’s most successful cluster? January 13, 2010: Business innovation, Case Studies, Facts, Figures & Trends, Innovation Policy and Venture Capital.

Value Chains

What is it? The value chain approach focuses on the development and support of firms participating in the production of products or services along an industry continuum from input suppliers to end-market buyers. It differs from a supply chain in its emphasis on creating value rather than presence in each segment of the chain as a means to foster or promote local economic development.

To illustrate the scope of efforts and activities undertaken in respect to enhancing value chain development, and by implication enhancing local economic development, the following activities represent some of the more common types of value chain interventions:

- Developing technological, organizational and marketing solutions to extend production and sales of local firms within a value chain.
- Reducing barriers of entry and facilitating the participation of those local enterprises who are not included in or profit from value chains to enable them to benefit from value addition.
- Developing value chains where a significant number of local small and medium-sized firms and under employed or marginalized workers participate and thus will profit from development.
- Identifying and supporting key players and the provision of key services in order to foster development of local actors in the entire value chain.
- Fostering collaboration and vertical integration between different local actors in the value chain and improving chain governance and management.
- Improving regulatory frameworks and inducing policy reforms to create an enabling environment for value chains to function.

What resources are required? Local entrepreneurs and firms must be prepared to participate in the process. Leadership at the local government level will require knowledgeable professionals.

Because value chains are complex both in terms of the various segments they cover (from primary inputs to consumption) and the impacts that their progress and development can generate, it is essential to undertake a proper analysis or diagnostic to provide guidance before introducing actions. This can be a complex undertaking and especially so when looking at broader global value chains but nonetheless an essential prerequisite to properly understanding realistic technological and market opportunities and constraints. There are numerous diagnostic tools available though each effort requires proper research and analysis by skilled and knowledgeable industry or sector specific professionals. Once identified, various proposed interventions need to be premised on or balanced with the capabilities, capacities and realities in which the interventions are proposed, i.e. there is no value pursuing an intervention without the necessary resources (business, financial, human, political) to achieve success nor without some anticipated local economic development benefit.

A typical diagnostic will include mapping (e.g. product, flow of product, value chain actors, business interactions); identifying sources of inputs and supplies; (e.g. primary producers and input providers, logistics, infrastructure); assessing production capacity and technology; (e.g. production capacity, technology, innovation, costs and margins); articulating end markets and trade (e.g. consumer demand, buyer expectations, marketing and trade); exploring systems of governance (e.g. type of governance, participant domination); delineating probabilities for sustainable production; (e.g. use of materials, waste management, energy use, use of water); analyzing financial implications; (e.g. risk, gaps, attractiveness); and delineating the business environment and the socio-political context.⁸²

How does this benefit the municipality? The focus of value chain development from a municipal perspective is to increase local production, introduce new technology locally, improve processing, and expand marketing of a specific local product. The purpose is the pursuit of a number of key objectives including: income generation and employment creation locally; promotion of local economic growth through the creation of competitive industries and businesses; the development of local SMEs; enhanced environmental sustainability; and so forth.

What are the challenges and risks? International production, trade and investments are increasingly organized within so-called global value chains where the different stages of the production process are located across different countries. In this regard in fostering the greater benefit there is a need to recognize that to optimize some aspect of the process locally there may be a need to out source certain activities. In these cases some local jobs might be lost and some local enterprises may suffer for a greater municipal economic gain. This is sometimes a difficult action to take and adequately defend.

⁸² Industrial Value Chain Diagnostics: An Integrated Tool. Frank Hartwich, Jean Devlin, and Patrick Kormawa. The United Nations Industrial Development Organization. 2011

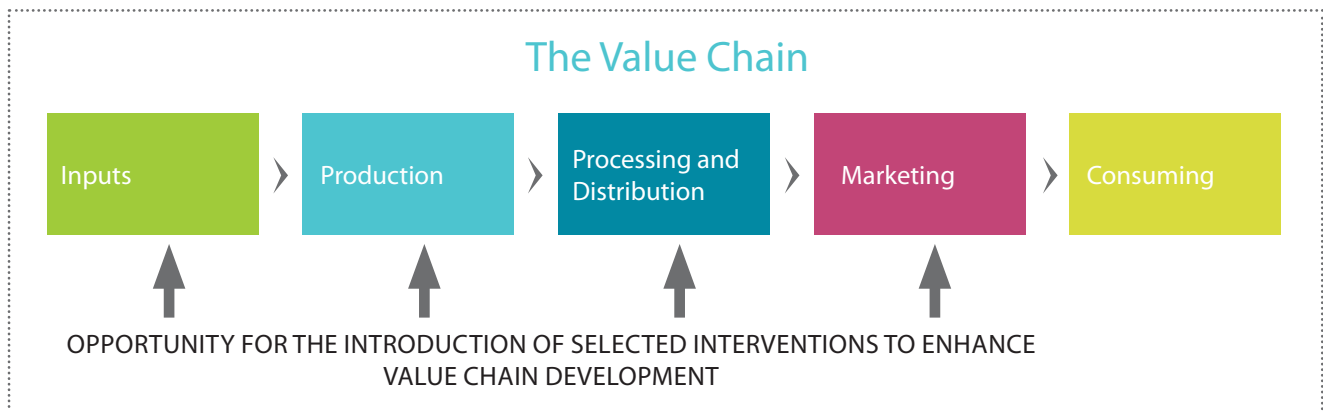


Figure 13.

First Impressions Program

What is it? The First Impressions Program was developed by Andrew Lewis, University of Wisconsin, and James Schneider, Grant County, Wisconsin Extension Service, in the early 1990s. First Impressions is a program for community improvement that provides communities with information concerning how they look and are perceived by first-time visitors. Data gained through this process can be used to identify priorities for improvement, including community image, infrastructure and more, plus highlight particularly noteworthy community assets from which further development/progress can occur.

In practice a community in the First Impressions Program is paired with another one of similar size and character, and is rated by teams of volunteer visitors following a predefined format for evaluation. The First Impressions Program can be used on its own to provide input into LED planning and to gather data in concert with other planning efforts. It provides useful input for municipalities wishing to enhance their business attraction efforts or refine their tourism plans by providing an unbiased view of how the municipality appears to others as a place to live, visit or do business.

What resources are required? Costs are generally minimal, though there is a need to organize cooperation with a sister city (to gain objectivity) and recruit a small cadre of researchers (usually volunteers). In developing questionnaires and interview protocols there is a considerable volume of research and self-help information available on the program that can be found online, including The Centre for Community and Economic Development (<http://cced.ces.uwex.edu>) and at First Impressions A Program for Community Assessment and Improvement (<http://www.mscat.msstate.edu/firstimpressions>).

How does this benefit the municipality? It: (1) evaluates the success of development initiatives from the perspective of an outside source; (2) identifies how to strengthen existing community services or aesthetics; (3) creates an enhanced image to the outside world; and, (4) provides specific recommendations that assist in focussing development efforts.

What are the challenges and risks? Anytime an outside perspective is requested and obtained, there is the risk that the municipality requesting the perspective will not like or believe what is reported.



THE EFFECTIVENESS OF USING FIRST IMPRESSIONS PROGRAMMING – 2013 WEST VIRGINIA, USA

As with many available LED instruments, there seems to be a certain built in caution by local leaders and some EDOs as to the overall effectiveness of low cost modalities; in part reflecting the inherent belief that unless the effort is highly visible and of a larger scale that very little benefit can be expected to accrue. In fact, nothing could be further from the truth. First Impressions is low cost and low visibility; but it is a highly effective tool that should not be overlooked. To confirm this assertion a research effort was undertaken in West Virginia USA.

Since inception the First Impressions program had been utilized in more than 60 West Virginia, USA communities. The evaluation exercise in 2013 took place amongst thirty-two municipalities taken from a list of those municipalities who had used the program over the period 2000 to 2006.

By way of background the First Impressions methodology provides “visitor” feedback and community recommendations in respect to the following factors:

First Impressions Factors for Visitor Input

| Factors | Insights and Feedback |
|-----------------------|--|
| Visitor Perceptions | Pre-visit and lasting impressions; sights and smells |
| Entrances and Signage | Visual appeal of community entrances; adequate welcome and directional signage |
| Business Areas | Downtown, strip malls, and industrial parks |
| Residential | Housing, educational facilities, community recreation, access to health care, diversity of faith-based community |
| Infrastructure | Streets, sidewalks, and benches |
| Tourism Assets | Existing resources; marketing initiatives and information |
| People | Welcoming and friendly |

The evaluation exercise or long-term impact study sought to: (1) identify whether the First Impressions Program made an impact on the general condition of the community; (2) determine what program suggestions led to community improvements; (3) determine whether the participation led to other community improvements; and (4) identify barriers that prevented the community from implementing suggestions. The results of the investigation indicated the following:

First Impressions Suggestions Implemented by Communities

| Program Suggestions | Frequency Noted | Communities Where Improvements Made (%) |
|---|-----------------|---|
| Improved Signage | 10 | 56% |
| Beautification | 10 | 56% |
| Historic Preservation / Tourism Promotion | 8 | 44% |
| Community Recreation | 8 | 44% |
| Infrastructure Improvements | 7 | 39% |
| Business Recruitment | 6 | 33% |
| Increased Lodging | 5 | 28% |
| Increased Partnerships | 4 | 22% |
| Other | 3 | 17% |
| No Program Suggestions Implemented | 2 | 11% |

The results of the First Impressions Program evaluation revealed positive outcomes from program participation. These included short and medium-term outcomes based on program recommendations, such as improving the built/physical environment, increasing tourism and recreation opportunities, and establishing new partnerships to make projects possible. More important, the program's public value was demonstrated. Many communities recognized improvements extending beyond program recommendations to the broader community development process: communities began to self-evaluate, build new networks, and seek out additional money and programing resources for sustained community development.

Journal of Extension, June 2013 // Volume 51 // Number 3 // 3RIB8

Green Business Acceleration Program⁸³

What is it? A Green Business Acceleration Program assists businesses to “grow faster and smarter,” where faster is measured by significant increases in income and profitability and smarter is measured by significant increases in environmental and social performance. It involves three main components: business development acceleration; sales acceleration; and, supply chain enhancement. Consultations with participating businesses consider ways in which the enterprise will undertake to identify emerging market opportunities, set out and accomplish business objectives, and address needs in relation to both financial and environmental performance.

83 Sustainable Economic Development Initiatives, Programs and Strategies for Cities and Regions: James Nixon, Sustainable Systems, Inc.; July 2009.

What resources are required? These initiatives are best delivered in collaboration with other business accelerator initiatives (often within the context of an incubator or university environment), where specific marketing and technology expertise is available, and various funding opportunities are present either in terms of grants, loans or equity for the purpose of supporting selected “green” commercialization opportunities, environmental audits, product sourcing and the like.

How does this benefit the municipality? Economic benefits can be realized in two basic ways: (1) for the enterprise, increased participation in the emerging “environmentally sustainable” economy can generate new service offerings and product lines leading to enhanced revenues; and, (2) for the community there are advantages in promoting more stable or expanding enterprises with the new jobs and revenues that accrue therefrom but also the hidden advantages of “urban form” that can create significant reductions in the cost of living by integrating community design, energy efficient buildings and mobility systems.

What are the challenges and risks? Despite the opportunities inherent in seeking out new market opportunities, many established enterprises are loath to risk spending money unless they are obliged to do so. Properly executed, this initiative requires resident “green” expertise and seed funding.

Business Associations and Chambers of Commerce

What are they? A Business Association or Chamber of Commerce (or Board of Trade) is first and foremost an organization of business and professional people. As such, Chambers of Commerce tend to focus on fostering trade and industry to the benefit of their members. Some chambers have taken on additional roles in economic development and tourism development, while others have developed international partnerships to promote bilateral trade. Whether directly or indirectly, chambers support or undertake activities that stimulate civic development and promote the general welfare of the municipality in which the members reside. Some of the products and services that Chambers of Commerce offer include networking opportunities, advocacy, business advice, benefit programs and professional development.

Usually, business owners within a defined geographic area such as a municipality form local organizations to advocate on behalf of the broader business community. Local businesses are members and they elect from their membership a board of directors or executive council to set policy. The board or council normally retains a CEO or Executive Director, plus staffing to run the organization. Membership in an individual chamber in an area varies but is generally voluntary, although most local businesses encourage membership.

What resources are required? Chambers of Commerce establish and set their own membership fees and in some locales receive municipal funding to offset operating costs or assist in the completion of special projects that are of benefit to the broader community (as defined by the municipal council).

How does this benefit the municipality? (1) Chambers of Commerce advocate for public policies that will foster a strong, competitive economic environment – one that benefits businesses and clearly the municipalities in which these businesses operate; (2) Chambers of Commerce can rally support using their collective voice for initiatives that will create jobs and improve the quality of life in their communities; and, (3) Chambers of Commerce also play a key role in the development of local businesses, making them stronger through various shared-benefit programs, networking opportunities and professional development opportunities.

What are the challenges and risks? Chambers are often a reflection of their membership, so if the local economy is suffering, so too will chamber membership and effectiveness. Political involvement is also a challenge and a risk since Chambers need to balance the need to communicate to municipal councils about economic and business-related matters while also being viewed as nonpartisan.

5.2. Workforce Development

Today in a majority of municipalities worldwide the presence of a skilled workforce, taking into account both genders, has become the primary determinant of LED success or the lack thereof.⁸⁴ Absence of a skilled labour supply and educational institutions or programs for workforce training stifle local economic development by jeopardizing business retention and expansion and seriously impeding business/investment attraction. Municipalities need to have a skilled labour supply to stay competitive, facilitate new business start-ups and to keep existing businesses strong. Employers

⁸⁴ “Integral to business growth and expansion is the availability of labour. Labour shortages are an increasing concern, if not the primary issue for many employers across several industry sectors. Many of these sectors anticipate that labour shortages will become more severe over the next decade. CED [Calgary Economic Development] expects that labour will be the greatest constraint to business growth and diversification. As such, immediate action is required to mitigate the current and forecasted adverse impacts of an increasingly tight labour market.” Workforce Development Initiative: From Consideration to Implementation: Calgary Economic Development, 2006.

need access to good workforce development and training programs to become more competitive, increase productivity, retain workers and to improve their attractiveness to prospective employees. Workers need workforce training to ensure their long-term employability and to increase their mobility and wages.⁸⁵

| Typical Workforce Development Services/Programs | |
|---|---|
| Undertaking labour force readiness studies (including gender disaggregated) to identify and understand current and future industry workforce needs. | Working with local educational institutions to assess the capacity and capabilities of the post-secondary and vocational education sector to better match the abilities of all local workers (regardless of gender) with the changing skills needed in the economy. |
| Promoting greater collaboration between the educational sector and the business community, including promoting experiential learning initiatives. | Promoting education, training and professional development initiatives at the national, regional and municipal levels. |
| Fostering employer investment in workforce training. | Attracting skilled workers. |
| Convening tripartite consultation processes on workforce issues. | Participating in workforce planning. |

Chart 10.

Workforce development encompasses all of those efforts to enhance the skills and abilities of the local workforce including efforts to train individuals for specific jobs or industries. The goal of workforce training programs is to improve the quality and skill sets of individuals, to place them in jobs and help businesses find an employee base in line with their needs. A good workforce development program, therefore, serves two customers: individuals and businesses.

A Sample of LED Tools – Workforce Development Skills-Based Training

What are they? A business improvement district (BID) or business improvement area (BIA) is a defined area within which businesses pay an additional tax or fee in order to fund improvements within the district's boundaries. BIDs may go by other names, such as business revitalization zones, community improvement districts, special services areas or special improvement districts. BIDs usually provide a range of services to businesses within the zone such as security, capital improvements and joint marketing. The services provided by BIDs are additional to those already provided by the municipality.

Legislation is usually necessary to permit local governments to create or authorize a BID. The process for creating one varies from one jurisdiction to another, but generally involves one to three steps. First, some number of businesses within a specifically defined area in the community (often the downtown) will petition the local government to seek authority to create the business improvement district; second, the local government will confirm that a majority of businesses want the BID; and, finally, the local government will enact legislation creating the BID. The local government might chose to enact BID legislation on its own, i.e. without a formal expression of interest by the business community, but this approach is not the norm for most cities.

A BID, while representing the collective interests of mostly private enterprises within a predefined area, is usually operated by a not-for-profit organization or by a quasi-governmental entity separate from the LED agency. The governance of a BID is normally the responsibility of a board composed of some combination of property owners, businesses and local government representatives. Its management is usually the job of a paid administrator.

What resources are required? Typically, BIDs require a commitment from all of the businesses within the identified

⁸⁵ A Guide to Preparing the Economic Development Element of a Comprehensive Plan. Wisconsin Economic Development Institute, Inc., August 2003.

BID zone since the organization may become a legally incorporated body with specific responsibilities, including the collections of fees from its members.

How does this benefit the municipality? BIDs are often created to improve the image and functionality of defined areas, which can lead to increased economic activity, development and job creation. Because BIDs formally network area businesses they also provide a platform for mutual cooperation amongst members that can lead to enhanced business stability and opportunities for growth.

What are the challenges and risks? Risks involved in this type of venture centre on the cost and obligations of local private sector interests (business operators and owners within the BID) and hence difficulties in recruitment. Other challenges include the implied difficulties where there is not unanimous consent to participate; and, in accurately measuring benefit to the operators and municipality (see Chapter 8 below).

Employers and educational institutions both have a role to play in setting the standards for training and education so that prospective employees and workers can develop high quality, relevant skills that will enable them to make a positive contribution to the success of the organizations that recruit them and the society and the economy in which they participate.

Recently, in response to rapid technological change and increasing global competition, business and postsecondary educational institutions have been finding common cause in the preparation of the highly skilled workforce necessary to remaining competitive in the global marketplace. The following example illustrates an interesting tripartite arrangement that had the participation of business, education and government interests.



EVA PHOENIX PRINT SHOP – YOUTH SKILLS-BASED TRAINING – TORONTO, CANADA

In the aftermath of one of the worst economic downturns, where unemployment spiked and is only now beginning to moderate, attention is being turned to how workforce efforts might be improved or completely revamped for the benefit of individual workers and municipalities at large. Many companies have openings and numerous potential workers seek jobs but there remains a mismatch between the skills needed in a community and those available. Efforts to solve this “skills gap” have concentrated on workforce development systems, yet there has been less discussion of the roles and the strategies that companies might deploy.

Toronto’s Eva Phoenix Print Shop offers a unique and strategic approach to resolving at least part of this dilemma.

Eva Phoenix Print Shop provides its corporate customers with quality, printed products at a competitive price. The income generated from sales provides former street youth an opportunity to get on-the-job training and placement support. In order for young people to enter and compete effectively in the workforce, they typically require as a minimum workplace skills and behaviours which many of them lack. Eva’s program includes training youth on-site in a fully operational print shop, affording them the benefit of building their own workplace skills and gaining hands on experience in all areas of print production. Eva’s record of success is illustrated by over 80% of its “graduates” going on to work in the print industry in various positions, with many combining this with studies in print management or graphic arts.

Source: <http://www.phoenixprintshop.ca>



METROPOLITAN COLLEGE: UPS COLLABORATION, KENTUCKY USA

‘A Community College and Industry Partnership is a collaboration between a community college and an individual business, group of firms, chamber of commerce, industry association or sector partnership with the purpose of using the resources of all partners to create alternative college education programs for non-traditional students (both younger workforce entrants and older ones in need of skills and education upgrades) that are tightly linked to regional economic development and labor force needs.’

Just prior to 2000, UPS (courier services) was identified as the largest employer in the state of Kentucky, USA. As the largest employer, the State had an interest in keeping UPS located within its boundaries. The State also at the time, as an important social priority, had an interest in educating a larger portion of its population. As part of its

corporate operational assessment UPS identified workforce development needs as a concern. Specifically UPS was having trouble staffing one of its key departments, and without a drastic change the company said it would have to move its hub (central sorting location) to another municipality and state better able to meet its workforce needs. This provided an opportunity for the State government to get involved on two levels.

The innovative solution proposed by the State involved a partnering arrangement between the state, the company and the local college/university. Collectively they sought to provide prospective and existing UPS employees an opportunity to offset the financial costs of “going back to college”. The costs to individual citizens in pursuing additional education and training were deemed to be the most significant deterrent to enhancing workforce skills.

UPS agreed to provide part-time employment for students in this “back to college” program; it also agreed to pay half the cost of tuition and reimbursement for textbooks. The state and local governments agreed to pay the other half of tuition and provide the students with access to college and University resources.

The Metropolitan College Program has been extremely successful. At the start, only eight percent of UPS workers had a postsecondary degree; within five years 2372 students had earned some kind of postsecondary credential. The retention rate of participants in the program was more than 50%. UPS enjoyed an increase in job retention as the annual turnover rate for new hires went from 100% in one year to 20%, and the company determined that it had realized a 600% return on investment in its students.

“When partnered with business, community colleges can play a unique role in providing the academic and applied learning that seeks to satisfy the demand for skilled employees and the need for a knowledgeable and engaged citizenry.”

*The Power of the Education-Industry Partnership.
Fostering Innovation in Collaboration Between Community Colleges and Businesses.
2011. Louis Soares*

5.3. Entrepreneurial Development

Entrepreneurship is the process of creating an idea and turning it into a business. Entrepreneurial activity creates jobs, creates new enterprises, diversifies opportunities and accelerates the process of local economic development. Within this core LED function municipalities typically employ a range of measures to encourage entrepreneurial development, such as efforts to provide entrepreneurs with the capital, training and technical assistance they need to start and grow their business. A proper entrepreneurial development effort takes into consideration development that is gender inclusive. Specific examples of entrepreneurial support in which municipalities participate include the following:

These entrepreneurial development services and programs are conveyed or delivered within the context of a number of different possible LED modalities or tools. These tools in turn are intended to best reflect or respond to the unique entrepreneurial development challenges and opportunities resident within each municipality. Some examples of LED tools targeting entrepreneurial development are described in the chart below.

Typical Entrepreneurial Development Services/Programs

Direct counselling for new start-ups in respect to: opportunity identification, market investigations, feasibility analyses and business planning; management/organizational assistance; human resource planning; regulatory and licensing matters; advocacy/access to specialized programs/services.

Entrepreneurial education/training in respect to the organization of workshops/seminars for new entrepreneurs or facilitating participation by new entrepreneurs in various entrepreneurial support networks.

Directly targeting and supporting the entrepreneurial endeavours of vulnerable or disenfranchised members of the community (youth, disabled) and segments of the local economy where balanced representation is not readily evident (women).

Assistance with facilities and specialized equipment by providing subsidized incubator or business service centre facilities.

Fostering/promoting access to seed/venture capital.

Other important initiatives such as supporting through dialogue or advice new entrepreneurs in their efforts to commercialize selected technologies

Chart 11.

A Sample of LED Tools – Entrepreneurial Development Business Service Centres

What are they? Business Service or Development Centres exist to provide entrepreneurs and existing enterprises, predominantly MSME's (micro, small and medium enterprises), with the support they need to grow and prosper. Support can include any of a number of services and programs from training, counselling and mentoring to loans and venture capital.

Business Service Centres (BSCs) exist in large and small, urban and rural municipalities around the world. Because of their successes in developing an entrepreneurial culture, BSCs are especially popular development aid interventions in many developing and transitioning countries.

What resources are required? A full-service business service centre can represent a significant investment by the municipality if no other sources of private or public funding is available. A core staff of professional and knowledgeable consultants, the operational equipment and infrastructure from which to operate are all critical inputs. While a revolving loan fund to support start-ups can be self-sufficient over time, there are inherent risks in such exercises and the initial capitalization can be costly.

How does this benefit the municipality? New businesses typically mean new jobs, new revenues, greater diversity and greater economic stability. Further when the focus emphasises support for the advancement of more innovative enterprises, innovation based economic development can drive municipal competitive advantage and value creation in the global economy. Further in those municipalities where the crop of new entrepreneurs features vulnerable and disadvantaged citizens, there will accrue significant additional social benefits over time.

What are the challenges and risks? The BDC must have properly skilled and experienced staff. Financial and technical support must be fully accessible especially core operational financing.



CANADA BUSINESS SERVICE CENTRES, CANADA

Canada Business Service Centres promote entrepreneurship and innovation by providing assistance to: (1) reduce the complexity of dealing with multiple levels of government; (2) consolidate business information in one convenient service ("one-stop"); (3) through information and counselling enable entrepreneurs to make well-

informed business decisions in a global economy; and, (4) contribute to overall business success by supporting sound business planning, market research and the use of strategic business information.

The Canada Business Service Centres network is a collaborative arrangement among federal departments and agencies, provincial and territorial governments, municipalities and not-for-profit entities. More than 225 local BSCs are present in Canada represented by: (1) Community Futures Development Corporations, which offer various services to rural entrepreneurs, including business counselling, loan/equity programs and services targeted to youth and entrepreneurs with disabilities; (2) Women's Enterprise Initiative offices, which provide loans, business counseling and skills training specifically for women entrepreneurs; and, (3) Francophone Economic Development Organizations, which provide Francophones with enhanced services, including training, access to capital, information services, networking and marketing advice.

Online One-Stop Business Registration and Information Service (BizPal)

What is it? Online business registration services exist in many jurisdictions around the world. For the most part they are all quite similar. Developed and introduced in Canada by Service Ontario, the Canadian version is referred to as BizPal. Like other similar systems BizPal is an online service that simplifies the business permit and licensing process for entrepreneurs, businesses, governments and third-party business service providers. Users answer a series of questions on their type of business and BizPal automatically generates a list of required permits and licenses from all levels of government (federal, provincial, territorial and municipal), with basic information on each, plus links to government sites where users can learn more and, in some cases, apply online. Designed for maximum convenience, BizPal can significantly reduce the amount of time businesses would otherwise spend on research. In Canada BizPal is a free service, though a cost may be associated with acquiring identified permits and licenses.

What resources are required? In the usual case the local government's responsibility is to assist entrepreneurs and business owners to access the system as well as to coordinate information and provide staff time to input data into the provided format.

How does this benefit the municipality? With most on-line business registration services the need for entrepreneurs/businesses to contact multiple levels of government to acquire required permits and licenses is greatly reduced. Most of the information needed is available from a single source, which means existing or potential businesses spend less time searching for information and more time building the business. This ease of entry asset is a significant community readiness advantage.

What are the challenges and risks? The major risk in a BizPal like program or service is ensuring that the information available is accurate and not dated. It takes time and commitment by all parties responsible for its implementation to keep the site up to date.

Business Incubators

What are they? Business incubators are "programs" designed to accelerate the successful development of entrepreneurial companies through an array of business support resources and services, developed and orchestrated by incubator management and offered both within the incubator and through its network of contacts. Incubators vary in the way they deliver their services, in their organizational structure, and in the types of clients they serve. Successful completion of a business incubation program increases the likelihood that a start-up company will stay in business for the long term.

Business incubators are designed specifically to help start-up firms. They usually provide: (a) flexible space and leases, often times at very low rates; (b) fee-based business support services, such as telephone answering, bookkeeping, secretarial, fax and copy machine access, libraries and meeting rooms; (c) business and technical assistance either on site or through a local referral system; (d) assistance in obtaining funding; and, (e) networking with other entrepreneurs. Incubators can be sector or product/service specific, i.e. innovation incubators or "green" incubators.

What resources are required to start one? Depending upon the type of incubator (e.g. technology, manufacturing, food processing, etc.), capital for a building, key equipment and appropriate staffing are primary requirements. Most incubators offer their clients office space and shared administrative services, but the heart

of a true business incubation program lies in the consultation and mentoring services it provides to start-up companies.

How does this benefit the municipality? Incubation programs can help diversify economies, commercialize technologies, create jobs and thereby build wealth.

What are the challenges and risks? Starting a business incubator can be costly. It requires the recruitment of professional counsellors and mentors and usually significant capital investment for the construction and equipping of suitable premises. There is considerable risk in terms of financial sustainability and “return on investment.”

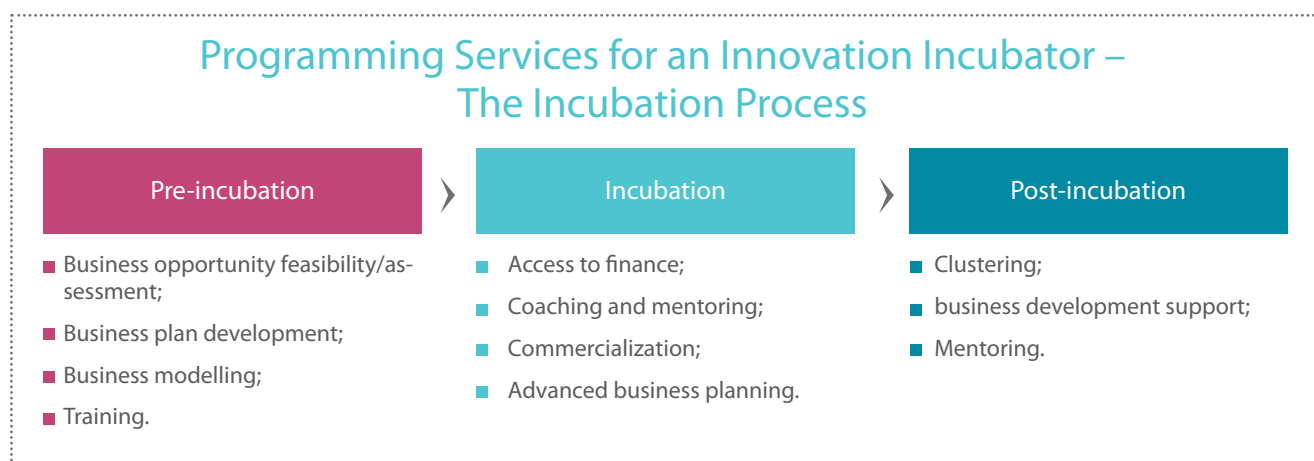


Figure 14.

Social Enterprise Development

What are they? Over the past decade there has been an increasing devolution of services and programs from senior levels of government on to other levels of government. This has served to increase attention to the growth and development of social enterprises (also referred to as “ethical enterprises”) as a means to assist local municipalities in their efforts to foster and promote a more balanced and sustainable local economic development effort.

A social enterprise is defined as a business that is directly involved in the production and selling of goods and services for the blended purpose of generating income and achieving social, cultural, and/or environmental aims.⁸⁶ Generally speaking then social enterprises are organizations that use a business approach to achieve improvements in social and environmental well-being, rather than seeking profits for owners and shareholders.

Historically social enterprises were usually charities or social cooperatives. Today however social enterprises encompass a much broader range of operations and can be for-profit or non-profit enterprises.

What resources are required to start one? The technical and financial needs of social enterprises are for the most part no different than those of most businesses. As such they usually require similar services and support including a range of technical and financial assistance services, though in some instances they also require specialized accounting and legal support to properly structure their operations to meet the requirements of their mandates.

How does this benefit the municipality? Social enterprises fill an important niche in ensuring municipal sustainability and well-being are maintained and enhanced. Social enterprises represent an especially valuable opportunity for a municipality because they are operated as businesses (i.e. sustainable) and thus while they provide valuable services they don’t require nor seek ongoing municipal funding support.

What are the challenges and risks? There remains considerable confusion around the value of supporting the broader spectrum of social enterprises. These challenges arise from a mistaken belief that because the enterprises focus on social or environmental goals they are not sustainable; and because social enterprises compete in the private marketplace their existence is detrimental to private enterprise development. Neither of these concerns are found to be justified though they blur the importance of the role social enterprises can and do play in the broader LED effort.

⁸⁶ http://en.wikipedia.org/wiki/Social_enterprise



TYPICAL EXAMPLES OF SOCIAL ENTERPRISE. CANADA AND USA

JustWork Economic Initiative is a Vancouver, Canada based non-profit organization whose mission is to foster dignified, gainful work opportunities for individuals who face major barriers to work. For the most part these individuals lack adequate government programming to support them and what does exist routinely suffers the first of budget cuts. As such as this gap in programming continues to widen an increasing number of citizens become disenfranchised. It was this challenge that prompted the start-up of JustWork. While the task is not an easy one, between 2007 and 2010, JustWork went from employing just 14 people with barriers to employment to 33, and from \$33,000 in annual revenues to a sustainable base of \$407,000.

Common Thread is a cooperative of Canadian organizations that have sewing programs and enterprises. Rather than supporting end-users or beneficiaries directly, the cooperative provides brokering and production coordination for their members and other producers. The coop's members are social enterprises. This relationship allows social enterprise members to benefit from valuable synergies akin to those accruing from a typical clustering arrangement.

Free Geek is a non-profit community organization (social enterprise) that reduces the environmental impact of waste electronics by reusing and recycling donated technology. Through community engagement they provide education, job skills training, Internet access and free or low cost computers to the public. There are a dozen autonomous Free Geek organizations located throughout the U.S. and Canada.

Micro Credit Programming

What is it? Microcredit is the authorization and distribution of very small loans to borrowers who otherwise would be unable to borrow, i.e. those typically lacking assets, incomes, security and a verifiable credit history. As an LED tool microcredit programming is designed to support the needs of entrepreneurs and small enterprises. Its appeal comes from its capacity to provide the essential means for those who have the ability, drive, and commitment to pursue an entrepreneurial venture. In development parlance microcredit is best described as an investment in people.

Microcredit programming was originally developed in Latin America in the 1970's and has since spread to more than 6,000 institutions and more than 100 countries. Initially and still in some cases focused on poverty reduction the model has evolved and been adapted to suit other LED priorities. In many developed and transitioning countries microcredit programming targets specific sectoral interests (e.g. small scale manufacturing, IT start-ups) specific development priorities (e.g. commercialization of technology, value chain advancement, cluster growth), and/or the needs of specific demographic cohorts (youth, women, disadvantaged populations).

Microcredit should not be confused with microfinance, peer lending or peer-to-peer lending, all of which focus on some aspect of ameliorating the financial challenges of new entrepreneurs and small enterprises. A brief explanation of these other modalities follows.

Microfinance encompasses the broader range of financial services including microcredit but also savings, insurance, money transfers, and other financial products. Microfinance interventions are premised on an understanding of the importance of savings and the provision of other financial services in addition to microcredit as a means to more broadly support sustainable enterprise development.

Peer lending can also play an important role in fostering entrepreneurial development and has been proven to be quite effective in supporting women entrepreneurs in particular in both developed and developing economies. By definition peer lending is a lending concept based on the principle of group borrowing. It usually comprises a group of less than ten individuals each with their own business who individually are unable to access traditional bank finance but as a group can be successful in obtaining some proportionate amount of their entire needs. Group members work together based on trust and mutual respect. They decide amongst themselves which of their members will borrow from the group, in what order, and how much. Peer pressure is used to ensure repayment. This social network meets regularly and shares/mentors the efforts of other members in the group.

Peer to peer lending is a relatively newer development modality, providing a system of on-line matching of would be borrowers with would be lenders akin to a system of angel investors.

As a program micro-credit can be appended as a stand alone function within a regional or municipal entrepreneurial development agency such as a business service center; or as part of a broader microfinance initiative. In the former instance the program serves to directly target support for entrepreneurial and SME development as part of a municipal

LED agenda. In the latter case microcredit programming is part of a broader financial services/sector development initiative.

What resources are required to start one? Successful delivery of a microcredit effort requires a unique combination of technical and financial resources. Technically the effort requires credit/lending expertise combined with a strong base of business/entrepreneurial counseling. The emphasis of a microcredit effort is more along the line of “counselors that lend” versus the traditional banking focus of “lenders that counsel”. The size of funding set aside depends on a number of factors including but not limited to: (1) purpose, scope and size of loans targeted; (2) risk and sustainability priorities; and, (3) anticipated impacts/results.

How does this benefit the municipality? Microcredit has proven itself internationally in a range of circumstances to be a strong stimulant to local economic development. In the start-up phase of an enterprise the need to secure sufficient capital as an initial investment is the single most significant challenge. Municipalities benefit through increased tax income, new business start-ups, enhanced diversification, and employment creation.

What are the challenges and risks? By definition microcredit lending has higher risk and higher administrative costs. By way of example credit decisions for borrowers who have neither collateral nor a salary cannot be based on automated scoring. These decisions require substantial intervention by the lender in judging the risk of each loan. As such concerns for fund sustainability, in the absence of ongoing subsidies, typically requires higher than market rates of interest, which creates some additional start-up challenges for borrowers.

It should also be pointed out that there remains some considerable debate as to the relevance of microcredit programming in the broader LED framework. That is in certain instances it has been touted, to some mixed success, as a means to alleviate poverty. In other instances it is being employed as a means to stimulate entrepreneurship, where its record of success is more evident. As such the introduction of this methodology should be very clear in terms of its intended focus and anticipated impacts.⁸⁷

5.4. Business and Investment Attraction

Business and investment attraction was once considered the main, if not the only, worthwhile function of any local economic development effort despite the high costs and limited returns associated with marketing, investment attraction and site selection assistance. That said despite being the most expensive of all LED functions, business and investment attraction is certainly important. Further it is by far the most visible economic development activity: the impact is clear and unequivocal – success involves creating a new enterprise and new jobs all at once; it is often the primary focus of most municipal marketing efforts [municipal marketing is discussed in the following section] and as such becomes the public image of the overall LED effort; and, the process of attraction and recruitment frequently entails the use of incentives, which certainly generate discussion and debate amongst existing enterprises and the public at large.

Municipalities with success in investment attraction stress the importance of attracting investment based on community strengths. However business/investment attraction is a highly competitive discipline regardless of a municipality's unique offering, so the design and implementation of a concerted and focussed program of business attraction is critically important for success to be achieved.

⁸⁷ Microcredit Under the Microscope: What Have We Learned in the Past Two Decades, and What Do We Need to Know? Annual Review of Economics Vol. 5: 487-519 (Volume publication date May 2013) Abhijit Vinayak Banerjee.

Typical Business and Investment Attraction Services/Programs

Maintain and regularly update the community's "site selectors information package".

Identify and confirm sector specific opportunities for expansion of existing businesses and industry.

Initiate and conduct discussions and negotiations with the private and public sectors regarding economic development initiatives, including land sales and the provision of municipal services that facilitate business attraction and development.

Consult with new or proposed businesses regarding business plans and marketing information.

Facilitate tours to and for internal and external trade delegations.

Regularly assess the community's "investment readiness" and undertake/promote initiatives that enhance overall readiness.

Identify and confirm opportunities for the promotion of new businesses and or industrial opportunities.

Design, implement and actively participate in community marketing initiatives (e.g. trade shows) and pursue leads and prospects which would be of benefit to the community. Continue to follow-up.

Act as the initial contact with developers and businesses from outside the community for site visits and providing data.

Refer prospects to funding agencies or specific associations.

Chart 12.

Regardless of format or model, a successful business and investment attraction effort can bring with it several significant benefits, which according to the International Finance Corporation include:⁸⁸



Capital. A new investor will bring in capital with which a new production facility will be constructed, or a local company acquired.

Employment. While the number of jobs created varies in accordance with the size of the investment and the production process itself, the most common benefit associated with foreign direct investment (FDI) is increased or protected employment. And, of course, with new employment comes additional income and spending power for local residents.

Revenue benefits. FDI widens the local tax base and contributes to government revenues. Even if foreign investors are granted complete relief from taxes for a short period of time through investment incentives, governments can earn increased revenue from the payment of personal income taxes because of the new jobs created by FDI. In addition, export-oriented investment generates foreign exchange earnings.

Favourable impact on local investment. FDI inflows tend to lead to an increase in domestic investment as companies gain access to distribution channels opened by TNCs (trans-national corporations), become suppliers to TNCs, or respond to competition from TNCs.

Technology transfer. FDI can improve a country's access to technology through licensing, joint ventures, and local trade. Employees of TNCs may take know-how they have acquired and set up new companies, or join existing local companies. Whatever the form, technology transfer tends to lead to improved productivity growth.

Improved labour skills. Foreign firms usually carry out more on-the-job training than do local firms, and TNCs in particular frequently engage in activities that use relatively high levels of skilled workers. These skills are often transferred to other sectors and activities when employees seek new jobs or establish their own businesses. Employees are also often exposed to new organizational and management skills, exposure that can stimulate higher productivity, entrepreneurship, and openness to education.

Improved exports. Much FDI is export-oriented, and TNCs often account for a significant share of host-country exports. Because of their size and access to overseas marketing and distribution networks, foreign firms typically find it easier to enter export markets. Many developing countries have been able to use FDI as a way to increase their export levels and improve foreign exchange earnings. In addition, the presence of foreign-owned exporting firms has been influential in many countries in encouraging local firms to enter export markets.

⁸⁸ Investment Climate: Investment Generation Toolkit Module 1: About FDI Step 2.1 Economic and Other Benefits from FDI. International Finance Corporation; (MIGA and the World Bank). www.wbginvestmentclimate.org

Improved international competitiveness of local firms. The opportunity to sell inputs or supplies to foreign-owned firms encourages local companies to raise their quality levels and delivery reliability. Foreign firms often introduce new products to the local economy, and domestic firms are often encouraged to compete with these products. Finally, through their interaction with a foreign-owned company, suppliers, customers and competitors in the host country are often stimulated to higher levels of investment, productivity and innovation. The result is often greater economic efficiency and higher-quality production by domestic firms.

Increased competition. FDI can improve overall economic growth by increasing competition in sectors previously dominated by only one or two local firms.

A Sample of LED Tools – Business and Investment Attraction Industrial Parks

What are they? An industrial park is defined as a type of real estate development purposely designed and zoned to accommodate industrial and manufacturing buildings and related activities. Occasionally referred to as industrial estates they are typically located away from residential and commercial areas and usually include infrastructure such as roads, power, and other utility services to facilitate the growth of resident industries. The industrial park is related in concept to industrial corridors, business parks and office parks. An industrial park can be owned and operated by a public agency, a semi-public agency or a purely private organization. Most larger municipalities will have a mix of industrial parks with a mix of ownership structures.

Not all industrial parks are the same in terms of focus or design. Some are general industrial areas others are more sector specific. Developments of recent note include the organization of “eco-industrial parks” and “smart parks”.

Based on the concepts of industrial ecology, an eco-industrial park (EIP) is an industrial park in which businesses cooperate with each other and the local community to reduce waste and pollution, efficiently share resources and help achieve sustainable development, with the intention of increasing economic gains and improving environmental quality. “Smart Parks” are characterized by a confluence of education, corporation, and/or research and development entities.

What resources are required? An industrial park can be quite an expensive venture depending on size and services provided and much of the development investment is upfront. A proven business case should precede any decision to proceed. Further, professional management with private sector expertise is critical. This expertise should include substantive experience in marketing. The industrial park does not market the municipality, the municipality has to market the industrial park. It means the management has to be aggressive in marketing. It also means that design and planning must provide the park with services and amenities that attract and retain firms.

How does this benefit the municipality? There are a number of benefits that can arise as a consequence of conscientious industrial park development, specifically: (1) they solve the problem of land acquisition for investors; (2) they permit efficiencies of industrial grouping; (3) they avoid adverse impact on the surrounding environment; (4) they boost development of the local economy in terms of new or expanded enterprises, new jobs, enhanced tax revenues; (5) they provide an environment for high-value-added production; and (6) they cultivate strategic industries.

What are the challenges and risks? The development of an industrial park is an expensive and risky venture if not properly assessed (a proven business case) and planned in advance. Success is determined by how well the park suits the needs, resources and related requirements of individual firms over time. Too often however local governments build industrial parks because they think that these parks will automatically bring benefits. However, designating a piece of land as an industrial park does not itself create any value. Often times a private-public partnership arrangement can be structured to mitigate many of the inherent risks associated with development.

What do businesses and investors take into consideration when evaluating the merits of locating or investing in an industrial park?

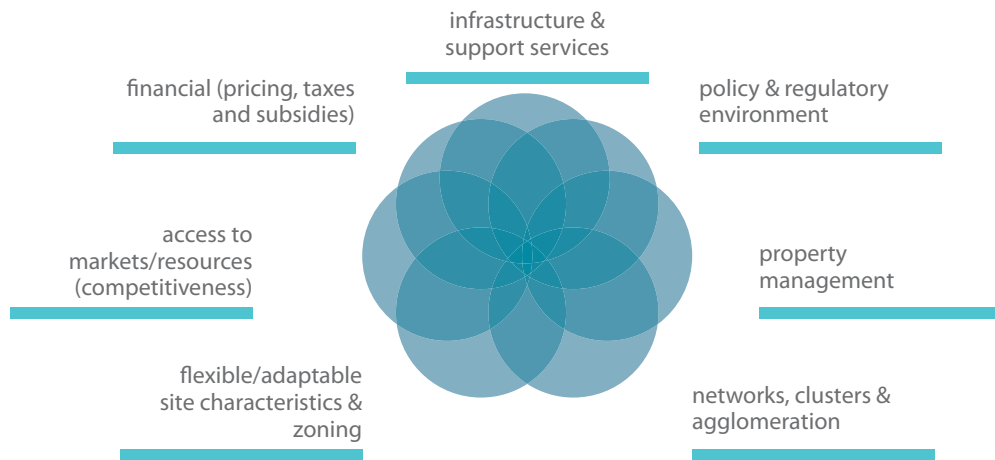


Figure 15.

Industrial Corridors

What are they? Industrial corridors are areas or stretches of land, often identified by a common characteristic or purpose. More often than not they encompass multiple industrial parks. These areas are often developed or envisioned as a means to facilitate large industrial infrastructure projects or improvements in a specified area, allow for new industrial development on underutilized industrial land, or encourage inter-municipal cooperation.

What resources are required? Development of an industrial corridor is generally part of a longer-term development plan requiring significant capital and operating resources. In the majority of cases they tend to be too large a project to be undertaken by a single municipality and thus they typically involve the financial and technical participation of multiple levels of government as well as the private sector. An area development plan, which includes subdividing parcels of land and determining the financial costs of servicing, is an important prerequisite to this approach.

How does this benefit the municipality? Industrial corridors help improve the viability of an area for long-term industrial use and can create an attractive environment that encourages new industrial development with concurrent increases in the local tax base.

What are the challenges and risks? To develop an industrial corridor, a community must put several key factors in place in order to move forward, including political will, available and properly zoned and serviceable land, a solid transportation foundation and a comprehensive plan. In a long-term project or development, political and public impatience can have a negative impact on ongoing funding.



THE DELHI-MUMBAI INDUSTRIAL CORRIDOR, INDIA

While industrial corridor initiatives can range in size and scope, the Delhi-Mumbai Industrial Corridor Project is a unique example of innovative and proactive long-term planning, broad stakeholder engagement and a certain amount of optimism.

The Delhi-Mumbai Industrial Corridor Project, conceived as a model industrial corridor, is a \$90 billion USD state-sponsored industrial development project of the Government of India. It is aimed at developing an Industrial Zone spanning across six states in India representing 1483 km between the political capital and the business capital, i.e. Delhi and Mumbai. The project, encompassing nine mega industrial zones, includes major expansion of infrastructure and industry – including industrial clusters and rail, road, port, air connectivity – in the states along the route of the Corridor. By completion the project is expected to double employment potential, triple industrial output and quadruple exports from the region. The total employment to be generated from the project is expected to total 3 million, the bulk of which will be in the manufacturing/processing sectors. It will include a 4000 MW power plant, three seaports and six airports in addition to connectivity with the existing ports. The industrial corridor project is being implemented by the Delhi-Mumbai Industrial Corridor Development Corporation, an organization composed of government and the private sector.

<http://delhimumbaiindustrialcorridor.com>

Site Selection Assistance

What is it? In the instance of business recruitment, the targeted company's strategic decision to expand or relocate is based on consideration of many alternative variables and potential locations. For example, competitive access to specific markets and raw materials are extremely important to business success, as is workforce and public infrastructure support. Company decisions are based on good information, accurate comparisons and detailed evaluations, which result in choosing the location that gives the company the best competitive edge.

Economic development organizations provide new, expanding and relocating businesses directly with professional site location assistance or work with professional site selectors, to assist companies to identify compatible industrial or commercial locations that fit their needs. These services typically include the provision of detailed and comprehensive information on the municipality's unique competitive position focusing on those strengths that are particularly relevant to the company considering investing or relocating. Working to assist enterprises in their efforts to evaluate alternative locations is an important component of the municipality's overall business and attraction effort.

What resources are required? A proper understanding of the municipality's competitive position, site selection expertise, and access to a range of financial and non-financial incentives.

How does this benefit the municipality? New investment/industry brings with it the potential for access to new technologies, new enterprises and new jobs. It also has a positive impact on tax revenues, enhances local economic diversity and adds value to the local economy.

What are the challenges and risks? (1) Location is based on an evaluation of site selection factors. Each community offers different advantages or disadvantages based on the perspectives and evaluations of the enterprise, not the community, i.e. site location decisions are demand and not supply driven. (2) The ratings of locational factors depend on the type of facility, company size, product and industry, e.g. the physical infrastructure and workforce skills necessary. Good data collection provides a competitive advantage to communities who can accurately chart and share essential economic, industrial and workforce data. (3) Site location consulting/support is a complicated professional discipline requiring considerable, industry specific development expertise. Not all communities have access to these resources.

Virtual Trade Mission

What is it? In most countries the national government undertakes or facilitates efforts to develop and pursue long-term trade and investment opportunities in foreign markets. An important component of that support is the organization/facilitation of trade missions in which businesses have the opportunity to investigate new markets, explore and assess new business opportunities, network and make new contacts. Despite their obvious value, trade missions are typically expensive and complex endeavours to organize and participate in. A virtual trade mission, however, can offer many of the same benefits as a trade mission without the typical logistical and financial challenges.

A VTM involves the organization of a webinar (typically 1 to 2 hours) comprised of a small number of business representatives seeking investment/business to business opportunities with enterprises in another, usually foreign, market. The format proposes to build relationships, so the number of enterprises participating is necessarily limited. Note this session is proposed as an introduction and as such is intended only to offer an introductory platform from which further follow-up discussions/negotiations might take place.

What resources are required? Costs are minimal. The VTM requires: basic technical capacities (to facilitate a virtual meeting); companies have a good value proposition and are able to present accordingly; enterprises interested and capable of furthering their market position find ways and means through investment, joint venturing or outsourcing; company profiles are prepared and compiled for distribution prior to the event; and good recruitment, matching and facilitation expertise.

How does this benefit the municipality? New investment/industry brings with it: the potential for access to new technologies, enterprises and jobs; greater tax revenues; and, enhanced diversity and value added within the local economy.

What are the challenges and risks? (1) it is important to manage expectations. The VTM acts as an initial introduction between enterprises; (2) the value proposition must be realistic and properly communicated to generate interest; and, (3) adequate recruitment efforts must take place with a proper matching of interests prior to hosting the VTM.



LVIV IT SECTOR VIRTUAL TRADE MISSION, UKRAINE

Since program inception, the MLED partner city of Lviv has worked closely with the MLED team. In terms of program delivery, the City of Lviv had become one of the most committed and proactive partners. In late fall 2012, representatives from the City of Lviv approached MLED and the Canadian Embassy in Ukraine seeking support to organize a trade mission for Canadian enterprises interested in investigating various business-to-business opportunities within Lviv's dynamic information technology (IT) sector.

Trade missions are typically expensive and complex endeavours to organize and participate in. As such, Canada's Department of Foreign Affairs, Trade and Development (DFATD) together with representatives of MLED proposed the organization of a virtual trade mission. A virtual trade mission offers many of the same benefits as a trade mission without the typical logistical and financial challenges.

On June 11, 2013 the virtual trade mission was hosted at the Canadian Embassy in Kyiv. Co-chaired by DFATD and MLED, this 90-minute webinar involved representatives of the City of Lviv and those of five of Lviv's most innovative IT enterprises.

The webinar agenda included a presentation on doing business in Ukraine, with specific insights on that country's IT sector; individual presentations by each of the IT companies, with a follow-up question and answer session; and, a final presentation by the City of Lviv highlighting the city's business/investment advantages. On the Canadian side, 16 enterprises participated as did various economic development officers, consultants, trade commissioners and several FCMI project representatives.

The intent of the virtual trade mission was to heighten interest, share information, and facilitate business-to-business discussions. The event achieved that and more. Post-event feedback indicated interest in further dialogue by several Canadian companies and their Ukrainian counterparts; and one Canadian company had expressed a serious interest in the opportunities for new investment/start-up within Lviv and had initiated formal discussions to that end.

5.5. Community Cash Flow Development

The economic health of a community can become unstable if an imbalance develops between the amount of local income and wealth that leaves a community (leakage), and the extent to which “new” dollars come into and are retained by the community. This cash flow crunch can be addressed by enhancing greater inflows or limiting leakage. In the matter of leakages, BRE and entrepreneurial development efforts serve to diversify and broaden the local economy, thereby limiting some amount of leakage, i.e. residents or businesses purchasing products/services from outside the municipality. In other instances direct action is required to bring in new dollars either through business and investment attraction or other initiatives that serve to either broadly enhance community incomes (export promotion, tourism development) or offset community costs/expenditures (fostering social enterprise development, public private partnerships, inter-municipal revenue sharing agreements or service delivery cooperation, etc.)

A Sample of LED Tools – Community Cash Flow Development PPPs (Public-Private Partnerships)⁸⁹

What are they? Public-private partnerships are traditionally defined as projects in which there is cooperation between government agencies and private companies in the financing, development, construction, operation and/or ownership of assets.⁹⁰ The public sector commonly provides the policy framework, the mandate for change and financial incentives to the private sector. The private sector in turn provides private sector capital, expertise and delivery of projects that fulfill a specific need and serve the public good. Because PPPs serve various purposes they may consist of a specific single activity, a set of actions, or an ongoing alliance or collaboration; no one model fits all occasions. In delineating PPPs structures by purpose, there are essentially four types: (1) hard economic infrastructure public-private partnerships (e.g. roads and water systems); (2) soft economic infrastructure PPPs (e.g. financial institutions); (3) hard social infrastructure PPPs (e.g. hospitals); and, (4) soft social infrastructure PPPs (e.g. social security/programming).

What resources are required? The distinguishing characteristic of public-private partnerships is that they are not about the privatization of public assets. Ownership of new infrastructure facilities either remains with the public sector or is transferred back to the public sector at the end of the contract term. Moreover, the public sector generally retains full control of the infrastructure and the outcomes of the project.

How does this benefit the municipality? Generally speaking the benefits expected to accrue to the municipality include:

- *Value for money.* In most instances, public-private partnering is a value for money exercise.
- *Reducing public debt or off-balance-sheet financing.* In some instances, the private sector partner may have access to debt and/or equity markets and other forms of third party and/or alternative financing not readily available to public authorities. Access to these markets through a PPP reduces the demands on public funds.
- *Strengthening infrastructure/service development.* With a public-private partnership a more accelerated plan can be realized to strengthen or add public infrastructure/services that would not otherwise be available within existing budgets.
- *Risk sharing.* By definition PPPs encompass some sharing of project risks (e.g. inherent operating and/or financial risks) among the participants. In fact the sharing of risk is often seen as the defining quality of public-private partnerships. When sharing is optimized, the public sector can realize measurable gains.
- *Improvements in service levels.* Depending on the initiative, the public sector partner may benefit by selected economies of scale or new technologies to improve service delivery as brought to the partnership by the private sector partner.
- *Access to a wider range of skills in planning, management and service delivery.* Through PPP the public sector can gain

⁸⁹ A General Review of International Site Specific Public-Private Partnership Approaches and Methods. Lochaven Management Consultants Ltd., June 2010.

⁹⁰ A word of caution: “... there is a substantial body of literature which argues that LED ought to involve public-private partnership. At first glance, this seems to be a sensible suggestion. However, a closer look reveals that things are actually quite difficult... In the U.S., it is mostly about the private sector taking over tasks which traditionally have been ascribed to the public sector. In continental Europe, PPP is rather a model where the private sector takes a minority share in activities which have traditionally been pursued by government alone. In developing countries, PPP is a rather unusual model. Moreover, PPP requires that both the public and the private sector meet certain requirements. The public sector must have an interest in economic development, a basic idea of business principles and a non-paternalist view of private businesses. Meeting these criteria is not easy. More often than not, government officials have no own business experience. There is also the problem that in many development countries government officials and business people, in particular in micro and small businesses, have completely different class backgrounds, which makes communication difficult.” Why is Local Economic Development so difficult, and what can we do to make it more effective? Jörg Meyer-Stamer partner working paper, April 2003.

access to expertise and/or management support tools that may not be readily available within civic structures.

- *Realize value of under-utilized assets.* PPPs can provide an opportunity for the public sector to realize the value of assets that may be underutilized or underdeveloped. Creative development projects, combined with creative financing techniques and/or intensified marketing efforts, can provide substantial financial benefits to the public sector.
- *Promote, foster and realize economic development opportunities.* Depending on the structure and scope of the PPP, various opportunities may be realized: to develop new skills in the local labour force; promote and increase awareness of selected opportunities and issues; and/or encourage broader private sector investment in regions and local communities.

In return the private sector partner may also expect to earn benefits owing to its engagement: access to a regulated market, with limited or no competition; entrance to a new market, including new geographic areas; an opportunity to expand products or services beyond the company's established base; and, an opportunity to enhance the private firm's credibility in the market or improve its public image through association with a government agency or a particular project.

What are the challenges and risks? The pursuit of PPPs entails some inherent risks, which in turn imply additional costs. Some costs are readily apparent and can be easily accounted for and assigned to the partner best suited to manage the risk. Other risks are less tangible, might not be readily apparent from the beginning and beg of easy solutions or management. Broadly speaking there are two categories of risk: project-related risks (those manageable by the partners) and non-project risks (those not directly manageable by the partners).

Project-Related Risks: completion risk (engineering & construction cost/time cost control); operational performance risk (technical & operational know-how); "market risk" (demand); financial risk (exchange rate and interest rate fluctuations); and, environmental risk (past and future liabilities, project delays and costs overruns).

Non-Project Related Risks: political risk (expropriation, political violence, currency convertibility & transfer); contractual risk (regulatory risks), government default on contractual obligations, i.e., pricing formulas, right of way); macroeconomics environment/volatility risk (changes in macro balance in relatively short periods, i.e., exchange rate swings, inflation, etc.); legal environment (rule of law/judicial system, regulatory procedures and arbitration); and, residual risk (particularly relevant if at the end of the project there is an intention to transfer the asset).



CHESAPEAKE FOREST, STATE OF MARYLAND, USA

In 1999, a private owner offered for sale 58,172 acres of forestland in the Chesapeake Bay watershed in the State of Maryland. The sale included large segments of unbroken forest and more than 4,000 acres of wetlands as well as established populations of several threatened and endangered species. Much of this land bordered on existing State-owned parkland and forest, creating a unique opportunity to buffer a large area from deforestation and development. However, the State faced several obstacles: (1) a lack of funding to acquire the entire land parcel; and, (2) insufficient resources to manage the land after purchase. Importantly, timber harvesting was also an important employment and income generator in the local community.

The State purchased one-half of the acreage while the remaining acres were purchased by an environmental non-profit group which subsequently transferred ownership to the State. The State, working with the non-profit group, then sought to craft a PPP with the following objectives:

- To provide a steady flow of economic activity and employment to support local businesses and communities;
- To prevent the conversion of forested lands to non-forest uses;
- To contribute to improvements in water quality and protect and enhance the region's habitat for threatened and endangered species;
- To maintain soil and forest productivity and health; and,
- To protect visual quality and sites of special ecological, cultural, or historical interest.

To achieve these objectives, the State negotiated a multiyear contract with a lumber company. This innovative agreement allows the company to harvest up to 1,000 acres of timber annually, an environmentally sustainable level. In return, the lumber firm is required to manage the Chesapeake Forest to the State's silviculture standards.

Harvesting of timber is allowed only where it is balanced with the environmental objectives of water quality and wildlife habitat. The partners, the State and the timber company, share the profits generated from the sale of timber, with a 15 percent share of sales revenues also directed to the local county governments. To minimize risk to its private partner, the State agreed to compensate the lumber company for any losses in the first two years. However, this guarantee was never triggered, since the partnership has generated a profit every year since its

inception. The lumber company is required to keep a fully accessible and transparent accounting system, open to the State's review, and audited by an independent accounting firm.

Benefits include: (1) the forest is sustainably managed, to the State's standards; (2) instead of paying for the forest management services, the state receives payment each year; and (3) job training and education programs have minimized the impact of reduced lumber employment in the region.

*Source: Governance in Public Private Partnerships for Infrastructure Development
United Nations Economic Commission for Europe. 2004*

Revenue Sharing Agreements

What are they? Globalization and other forces have changed the requirements of industry and citizens, meaning locational needs now often include larger amounts of land, major infrastructure services and, in the case of industry, a significant workforce. In many cases, these needs can no longer be met, or met in the most cost effective manner, by a single municipality. Municipalities can manage change by recognizing the value of revenue sharing agreements. One of the most common revenue sharing agreements is the sharing of taxes between neighbouring municipalities. Tax/revenue sharing enables the redistribution of some portion of municipal tax revenue between two or more municipalities that recognize their interconnectedness and/or which jointly support regional services needed to attract and maintain residents and industrial/business development. Tax sharing is often used in conjunction with service sharing as an alternative way to allocate revenue to municipalities that provide regional services. Tax sharing agreements recognize that a municipality's entitlement to tax revenue on the basis of location within municipal boundaries alone does not always reflect the contributions of the municipality to the strength and success of the region.

What resources are required? Tax sharing is not a "one size fits all" approach and tremendous flexibility is important in all aspects. As such, political will and administrative cooperation are keys to moving forward.

How does this benefit the municipality? Tax sharing allows municipalities to share benefits, costs and risks with other municipalities by building on the interconnectedness of municipalities, eliminating counterproductive inter-municipal competition (while promoting regional competitiveness), and compensating surrounding municipalities for the increased costs arising from new residential or industrial/business development.

What are the challenges and risks? Key stumbling blocks include: determining which tax revenue will be shared; determining what portion of tax revenue will be shared; and, determining the basis on which the tax revenue will be redistributed among participating municipalities., e.g. equally versus based on costs incurred versus the tax assessment base, etc.

Inter-Municipal Cooperation⁹¹

What are they? As municipal responsibilities become increasingly complex, demanding and costly inter-municipal cooperation becomes more attractive and advantageous. Cooperation can help municipalities increase effectiveness and efficiency in the delivery of services by delivering jointly with one or more other municipalities.

An Inter-Municipal Agreement is a written legal and binding agreement between two municipalities or more that provides for sharing of certain services. Service sharing in its broadest sense can take several forms: municipalities can buy from or sell services to each other; a municipality can make arrangements with one or more other municipalities to jointly deliver a service; or, service sharing can be undertaken through a shared municipally owned not-for-profit corporation. A wide variety of services can be shared, including the assets used and the personnel who deliver the services. Common examples include: garbage collection; snow clearing/road maintenance; water/sewage treatment; waste disposal (landfill); administrative services; economic development; by-law enforcement; building inspection;

⁹¹ In the document Working Together – Intermunicipal Cooperation in Five Central European Countries there is an excellent discussion of inter-municipal cooperation in Europe. While the difficulties in such arrangements are significant, especially in instances of cross-border cooperation, the benefits can be quite significant. Benefits documented within various case studies presented in the report are described broadly in respect to: (1) economies of scale; (2) joint management of indivisible technical infrastructure; (3) joint management of functionally integrated but territorially fragmented areas (due to functional integration, many services cannot be effectively provided by individual municipalities that are isolated from one another); and, (4) better visibility and access to external funds. Working Together – Intermunicipal Cooperation in Five Central European Countries. Edited by Paweł Swianiewicz; Open Society Foundation, 2011.

engineering; human resources (recruitment, evaluation and training); office equipment/information technology; public works equipment; and, municipal offices and/or public works yards.

What resources are required? As a first step a “needs assessment” must be completed in order to determine if an existing function can be provided more cost effectively or more efficiently through a cooperation agreement. Finding a partner for such an arrangement can be done by contacting neighbouring local governments that already provide the function or that do not provide the function but wish to do so. After finding a partner, a joint study is done on whether the cooperative arrangement is feasible. This process involves staff and elected local council members and is predicated on good two-way communication, a proactive and cooperative spirit and the willingness to want think “regionally.”

How does this benefit the municipality? By service sharing, municipalities can reduce costs through economies of scale. By maximizing the efficiency of service delivery through a joint service arrangement, a municipality can limit the impact of cost escalations or even save money and use those savings to improve existing services, provide new services or reduce taxes. Service sharing between municipalities can sometimes make it easier to jointly attract and retain qualified staff, and save money through shared costs of training, education and benefits. Service sharing can mean better or newer equipment can be purchased and maintenance costs lowered.

What are the challenges and risks? Turf protection, poor communication and informality along with an unclear understanding of the roles and responsibilities of each partner are challenges to any inter-municipal opportunity. Financial obligations concerning any commitments should be in line with the strategic and financial plans for the municipality. Cost benefit and risk analysis should be carried out and reviewed to ensure the project is in line with projected costs and benefits, and that each partner has sufficient resources to meet their obligations. Conscientious attention to details in the planning and negotiation phases of a project as well as dedication and enthusiasm can contribute immensely to the successful outcome of inter-municipal cooperative projects.



NIAGARAORIGINAL, ONTARIO, CANADA

The Regional Municipality of Niagara comprises twelve municipalities in southern Ontario. One of the organization's key functions is economic development. Pursuant to this mandate the region introduced Niagara Original, the Niagara region's “place based” marketing strategy, which was developed to provide a strong collective voice for the region's economic transformation. Niagara Original has successfully transformed the region's identity and encouraged new investment. Its goals have been adopted and promoted by area businesses, organizations and municipal partners in various marketing activities. Benefits realized from Niagara Original:

1. Improved regional approach to economic development: The development of Niagara Original facilitated greater dialogue and deeper partnership among business, government and not-for-profit stakeholders in the region, resulting in a stronger collective voice.
2. Regionwide brand adoption: More than 100 businesses and organizations across the region have applied to use industry-specific versions of the Niagara Original logo.

Source: <http://www.regional.niagara.on.ca>

Tourism Development

What is it? Tourism is generally defined as the process of travelling for recreational, business or leisure purposes or the provision of services to support this travel. As defined by the World Tourism Organization, a tourist is someone who travels at least fifty miles (92km) from home. A more comprehensive definition would be that tourism is a service industry comprising a number of tangible and intangible components. The tangible elements include transport systems – air, rail, road, water; hospitality services – accommodation, food and beverages, tours and souvenirs; and, related services such as banking, insurance, safety and security. The intangible elements include: rest and relaxation; culture; and, escape, adventure, plus new and different experiences. Many types of tourism exist: leisure, heritage, health, wintersports and stopover (tourists who stay for more than one night), cruises, day tourists, adventure tourism, ecotourism and working holidays among others.

What resources are required? In terms of getting started in the tourism sector, it begins with an understanding of how tourism will serve the broader municipal development agenda. Is the community seeking a broader tax base, increased employment opportunities, expanded recreation facilities, better educational programs and a higher quality of life? How can tourism contribute to these objectives? If tourism is identified as a means of serving broader community goals, it makes sense to develop plans with more specific tourism development objectives. These are generally defined through a continuing process in which various groups and organizations in a community work together toward common goals. A local planning authority, chamber of commerce, visitor's bureau or similar group should assume a leadership role to develop an initial plan and obtain broad involvement of tourism interests in the community. Public support for the planning process and the LED plan is also important. After the tourism vision and goals have been defined, other elements of the planning process might include: identifying the tourism system (should the community's tourism plan include day visitors, conventioners, business travellers, people visiting friends and relatives, people passing through or seasonal residents?); identifying resources, organizations, tourism products and markets; generating alternatives for tourism in the community; evaluating those alternatives; and, selecting, implementing, monitoring and evaluating.

How does this benefit the municipality? Tourism is one of the most effective ways of redistributing wealth, by moving money into local economies from other parts of the country and overseas. It brings income into a community that would otherwise not be earned. Economic benefits resulting from tourism can take a number of forms, such as:

Jobs. Employment may be directly associated, such as with tour guide or managerial positions; or in supporting industries like food production or retail suppliers.

Increased spending. Increased spending in the community generated from visitors or tourism businesses can directly and indirectly promote the viability of local businesses.

Economic diversification. Tourism operators can play a role in highlighting the broad prosperity that tourism can bring to a community and will contribute to a greater understanding and respect for the value of tourism. Economic diversification is for many communities an insurance policy against hard times. By identifying an additional source of income, tourism can support a community when a traditional industry is under financial pressure, particularly where that community relies heavily on a single industry.

What are the challenges and risks? To prosper, the tourism industry needs to operate in environments that are attractive to tourists. The industry needs a relatively well-educated work force, functioning health systems and relatively good transport, communications, and most often water and energy infrastructure. These services and facilities are also valuable to local communities. Local government provides most of the infrastructure and many of the services essential to tourism development, including highways, public parks, law enforcement, water and sewer, garbage collection and disposal. Tourism decisions need to be evaluated with a clear understanding of the capacity of the local infrastructure and services relative to anticipated needs, and take into account both the needs of local populations and tourists.

5.6. Crosscutting LED Functions

Beyond or in addition to those core functions found within a municipal LED effort a number of cross cutting functions and activities are also necessarily present. These cross cutting functions support a multiplicity of efforts and usually include research, planning (see Chapter 4), marketing and branding, advocacy and so forth. Research and marketing are briefly discussed below.

Research

Every fully functioning LED effort must have some form of significant research support. In the context of LED efforts, this means undertaking and or coordinating/supervising a variety of research efforts and investigations relative to community specific LED topics. Typical research activities include the following:

- Compilation of detailed "community" profile information and other socio-economic information for the purpose of guiding planning efforts and promoting the municipality as a place to visit and invest;
- Compilation and dissemination of information regarding the availability of land, buildings and other facilities to attract business and industry;
- Preparation of sector specific profiles based on community competitiveness evaluations, highlighting opportunities for growth and development;
- Focussed assistance to the private and public sectors as required to facilitate local economic development; and,
- Analysis of specific development issues (challenges and opportunities).

Municipal Marketing

An Overview of Key Points

In a business context, marketing is an operational function that includes a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders. Marketing for a municipality is similar in that the customers are enterprises and investors, and the organization is the community, citizens and stakeholders.

Marketing is an important development tool in the effort to transform the image of a community and increase awareness, interest and commitment by potential new enterprises and investors as well as local entrepreneurs and citizens. Neither businesses nor investors will choose a municipality or stay in it unless they know about it and are convinced it has something to offer them. Further very few businesses and investors will stay in a municipality where they are convinced it doesn't represent a good place to do business.

The objective of a brand, within the context of a broader marketing effort, is to develop and promote a unique identity for the municipality that highlights its specific competitive position in a manner that is clearly distinguishable from that of competing localities.

Why Market?



"In economic development marketing, it is better to reach 6 of the right people than 6 million of the wrong people."

Ted Levain

Municipalities design, develop and undertake comprehensive marketing efforts for the purpose of pursuing multiple economic development objectives, specifically the following: (1) attraction, retention and expansion of businesses and investment; (2) attraction and retention of residents and tourists; (3) improvement in the community's image locally, nationally and internationally; and, (4) promotion of municipal policies and programs. The absence of a proper marketing strategy and marketing effort makes it difficult to ensure that the LED effort is generating the impact it should or making the most effective and efficient use of available resources, staff and financial capabilities.

Preparing a Marketing Strategy

A good marketing effort is premised on a good strategy. This strategy encompasses nine key steps (See figure below). These in and of themselves are not dissimilar from the process of preparing the LED strategic plan (especially steps 1 and 2) and should be significantly tied to that effort. Thus both exercises should be undertaken jointly.



Figure 16.

Some Important Considerations in Municipal Marketing



"A place brand strategy requires a realistic, competitive and very compelling strategic vision for a city, region, or country, and needs to ensure that it is supported, reinforced and enriched by every act of communication between that place and the rest of the world. Every government and municipal department or local agency, local people and local companies must consistently communicate and demonstrate the same carefully developed brand."

EDAC / ACDE Marketing and Communications, White Paper Series. September, 2008

Municipal marketing is concerned with "place" marketing and "place" branding. The difference between product branding and municipal or place branding comes from the fact that product marketing uses consumer wishes and needs as its guiding principle for the operation of an organization, whereas in the case of place branding the basis is a chosen vision, mission and identity. Place marketing employs marketing principles and techniques to advance the appeal and viability of a place (town, city, region or country) to businesses and investors. Because municipal marketing stresses business recruitment, investment attraction and the enhancement of existing businesses, the message needs to reflect these different interests.

Branding is not a logo. Branding is a strategic process that involves identifying the strongest and most exclusive municipal attributes and then uses this knowledge to create a unique position. Municipal branding creates a single brand for the municipality and extends it to all its offerings and interactions. From a business/investor point of view, this creates a special picture of the community at every level of interaction. Brands are built on the strengths of the location and are a promise of value. The essence of the municipality is captured through the branding process and communicated throughout the municipal marketing effort.

The key to effective branding is consistency and repetition. Successful marketing and branding requires local input, buy-in and effort. The most successfully branded communities work from the ground up.



Things to know about branding:

Brands are perceptions

A brand makes a promise

Brands are earned: sometimes good, sometimes bad

Brands must be experiential

Branding is the art of differentiation

Brands are developed through PR and word of mouth

Brands need everyone on the same page and pulling in the same direction

Brand is about something unique and specialized

Chart 13.

Investment Attraction and Marketing

While there is no one perfect fit or simple approach to success when promoting recruitment/investment, some of the more common municipal marketing tools⁹² and communications strategies include:

1. **Prospect visits.** Face-to-face communication with potential investors in specific targeted sectors or in respect to specifically identified opportunities;
2. **Website.** A high-quality web presence can be crucial. Typically LED websites are used to: (1) advertise available commercial property; (2) identify specific opportunities for business development; (3) promote sectors of unique community competitiveness; (4) showcase valuable economic and demographic information, using maps and mini-GIS for visual display; and, (5) highlight available tax/financial incentive and special program information for new, expanding or existing businesses.
3. **Media relations.** Business executives read articles about various municipal economies in business and trade publications (see chart above). In all communications, the story must be bold and straightforward about the municipality's benefits;
4. **Direct mail.** Should include both likely prospects and site selection consultants and should be opportunity specific;
5. **Community profiles or sector specific profiles.** Customizable to fit a prospect's unique needs. Information and promotional literature is published that includes evidence of the municipality's ongoing commitment to quality economic development and emphasizes the community benefits as a place to live, work and play.
6. **Brochures.** Detailing benefits of locating in the area to specific target market segments. These are highly focussed and specific. Emphasis is on how the municipality can meet and address business and investor needs;
7. **Print advertising and local media.** Preparation of press releases, participation in media interviews and putting forth a media spokesperson on area economic development activity. Work to ensure regular coverage to enhance awareness.
8. **Trade shows.** Attendance as both a participant and observer.
9. **Social media.** Emerging as a productive and cost-effective approach (YouTube,⁹³ Facebook, twitter).

Not all marketing tools are equally as effective. The choice is dependent upon location- and sector-specific considerations.

Some Final Thoughts

Community marketing and branding is a sophisticated endeavour that requires considerable effort and the capacity and capability to do it right. Developing and presenting a clear, comprehensive and strategically based marketing effort can help municipalities differentiate themselves within the marketplace to promote economic development.

Municipal marketing needs to be undertaken in collaboration with other local agencies and authorities who might also be engaged in promoting the municipality (e.g. hotels and motels, industrial parks, etc.) to ensure that the message is consistent.

| Top five sources of information influencing CEO perceptions of potential locations for investment: | % |
|--|------|
| Dialogue with industry peers | 50.4 |
| Articles in newspapers and magazines | 46.0 |
| Ranking/surveys | 35.6 |
| Meetings with economic development organizations | 28.0 |
| Business travel | 27.2 |

⁹² Winning Strategies in Economic Development Marketing. Study by Development Counsellors International, September 2011.

⁹³ The City of London, ON, has had particular success in using social media to help market the community. Their unique YouTube video success entitled, "Tomorrow in London," is an excellent example at what can be done using social media to spread the word about a community's economic attractiveness.

6

GENDER EQUALITY AND LED⁹⁴

Chapter Overview

Attention to gender differences and inequalities can support stronger local economic development. Understanding women's and men's participation in economic activities (their priorities, barriers and opportunities) can inform LED strategies and help cities identify economic opportunities and obstacles. As well, there is now clear evidence that narrowing inequalities between women and men contributes to economic prosperity, both nationally and locally. Local governments can take specific steps such as using and analyzing gender-disaggregated data (to understand and address gender differences and inequalities), supporting women entrepreneurs, ensuring job creation initiatives support quality employment for women and men, and making sure that women's voices are heard in consultations and economic planning. Finally, supporting gender equality is a goal in and of itself, given international commitments to the rights of women and girls and the community's need for them to be equal partners in any economic development initiatives.

⁹⁴ This section on Gender Equality was prepared by MLED Gender Specialist Ms. Beth Woroniuk.

6.1. Gender Equality and LED

In Ukraine (as around the world), local economies are marked by gender differences and inequalities. Women and men tend to work in different sectors, men earn more than women,⁹⁵ women shoulder the bulk of unpaid work inside the home (domestic or “care” work) and women’s voices are often heard less in economic (and political) decision-making. Businesses headed by women are smaller and less profitable than those run by men. When being interviewed for jobs, Ukrainian women are often asked questions about family status and plans, applicants are often required to attach a photograph to job applications, and women over the age of 35 worry about declining work possibilities. As well, migration has a “female face,” with women making up two-thirds of Ukrainians leaving the country to look for work.⁹⁶

These differences and inequalities among and between women and men should be investigated, documented and understood as part of the LED planning process. This simply reflects good data collection and analysis.

Inequalities between women and men also contribute to economic distortions and are a drag on economic growth. International organizations have made the “business case” for investing in efforts that support greater gender equality. They argue that paying attention to and narrowing gender inequalities makes economic sense, thus there are “efficiency” arguments that can be made to support greater attention to gender equality issues. Local planners find it useful to understand how the situation of women and men differs, what are their priorities and how to incorporate this information into LED plans.



“According to the World Bank’s 2012 World Development Report: Gender Equality and Development, closing these gender gaps matters for development and policymaking. Greater gender equality can enhance economic productivity, improve development outcomes for the next generation and make institutions and policies more representative.”⁹⁷

It can also be argued that narrowing these inequalities and supporting greater access by women to economic resources is only fair and equitable. It is a goal in its own right (as defined by international agreements and consensus) and it is consistent with commitments Ukraine has made to gender equality.

[It is important to note the language and terminology used in this section. The terms “gender” and “gender equality” are frequently misunderstood. On an international level these words have been adopted to refer to the social and economic relationships and identities between and among women and men. A short glossary is provided at the end of this chapter to explain how these terms are used in this document.]



THE GENDERED NATURE OF URBAN POVERTY AND PROSPERITY

The UN-Habitat State of Women in Cities Report 2012–2013 notes that there are four main reasons for considering gender in relation to the prosperity of cities. First, with just over half of the world’s population living in cities, nearly all future demographic growth will be urban and consist of a majority female component. Cities of the future will be marked by feminised sex ratios and there will be growing numbers of female-headed households. Second, there are conditions in cities which exacerbate poverty and have gender considerations. Given women’s responsibilities for families and unpaid care work, difficult urban conditions often mean greater workloads for women. Third, women make important economic contributions to cities through their paid work: “It has been suggested that women are the key drivers of economic growth and that wealth in the hands of women leads to much more equitable outcomes in terms of quality of life of families and communities.” Fourth, women are invariably disadvantaged compared to men in cities in terms of equal access to employment, housing, health and education, asset ownership, experiences of urban violence and ability to exercise their rights.

“Addressing the barriers to women’s participation in cities creates a situation where women’s potential is more fully realised and households, communities and governments also reap rewards. It is important that women and men should enjoy equality rights and opportunities in cities on moral/ethical, economic and political grounds”.

⁹⁵ Estimates of the wage gap in Ukraine vary, but one estimate is 25%. Van Klaveren et al (2010): An Overview of Women’s Work and Employment in Ukraine; AIAS, University of Amsterdam, Working Paper 10-94.

⁹⁶ Iryna Kyzyma (2007) “Female Migration in Ukraine: Determinants and Consequences”; Kirovohrad National Technical University.

⁹⁷ Ana Revenga and Sudhir Shetty (2012): “Empowering Women is Smart Economics”; Finance and Development, Vol. 49, No. 1.

6.2. Understanding Gender Inequalities and Differences: What is Important to Know?

Understanding gender differences and inequalities is part of good local economic development analysis. Ideally, this analysis will not just lump “women” and “men” together but help to understand other social variables: what is the situation of young men, of older women, of young girls with disabilities, of older men from a minority group, etc.? Understanding these issues will help build a clearer and more accurate picture of economic variables and options.

EXAMPLES OF SEX-DISAGGREGATED DATA NEEDS FOR LED STRATEGIES

Basic data should be disaggregated male/female for economic information, including:

- Basic demographic data – population (male/female) in age groups
- Male/female breakdown of workers in specific sectors
- Data on entrepreneurs/own account workers (male/female disaggregation): size of business, years established, sector, total employees, etc.
- Unemployment/under-employment rates by sex and age group
- Male/female differences related to earnings/salaries (to understand wage gaps and differentials)
- Male/female breakdown of full-time versus part-time employees
- Women/men in leadership positions in the city/town
- Education rates – male/female

Key issues to look at include gender differences and inequalities in:

- **Basic economic data:** Where are women and men concentrated in the economy (which sectors)? Who is gaining from recent job creation? Who has recently lost employment? Are there differences among women and men in full- and part-time employment? What is the situation of older workers, young women and men, and people from minority groups? What is the male/female profile of business owners (of businesses of different sizes)? What is the male/female pattern of union members and leaders? Are there major inequalities between women and men in terms of economic assets (credit, savings, land, insurance, remittances, etc.)?
- **Employment skills:** What are the differences among and between women and men of different ages regarding readiness and ability to work? Who has what skills (especially IT skills)?
- **Migration:** Who is migrating to find work? What does this mean for families left behind?⁹⁸ Who is receiving remittance payments?
- **Care responsibilities:** Women shoulder the vast majority of the work inside families. This “invisible” work supports economic activity as it enables workers to come to work every day, yet it is often not valued and rarely counted.⁹⁹ Domestic responsibilities can also limit the extent to which women can participate in economic activities. There is growing attention to the importance of understanding the role that this work plays in supporting economic growth and documenting who does what.
- **Decision-making:** What is the profile of political and economic decision-makers (male/female, age, social group, etc.)? Who is not represented?
- **Safety and security:** Violence – generally implying violence against women – has economic costs (including medical costs and lost productivity).¹⁰⁰ Domestic violence affects women’s ability to work, so safety and security issues are important to take into account in any economic analysis.

⁹⁸ One study notes that there are approximately 1.3–3.3 million Ukrainian women working abroad, almost 90% of them illegally. The majority of female migrants are between 20 and 39 years of age and have husbands and children in Ukraine. “Female Migration in Ukraine: Determinants and Consequences”: Iryna Kyzyma, Kirovohrad National Technical University, 2007.

⁹⁹ “The health of urban economies owes much to the unpaid “reproductive” labour that falls disproportionately on women’s shoulders at the household and community level.

¹⁰⁰ In Canada, the economic cost of intimate partner violence alone is calculated to be \$7.4 billion per year. See Kate McInturff (2013): The Gap in the Gender Gap: Violence Against Women in Canada. Canadian Centre for Policy Alternatives; Ottawa. The comparable figure for Ukraine is not available.

EXAMPLES OF OTHER DATA NEEDS

- Childcare/kindergarten spaces – availability and actual need
- Number and nature of women's organizations active in economic issues
- Gender analysis of the city budget (if it has been done)
- Gender analysis of social security and social protection policies and programs (who benefits and uses these services?)
- Specific health issues for women and men – what are their health care needs and do the services exist to deal with these needs
- Employment centre services – are there specific programs for women?
- Violence against women – what data is available? What services and supports exist? Has there been an assessment of safety of economic zones and employment centres?

6.3. Developing LED Strategies

Work on gender equality issues should be an ongoing part of LED analysis and strategy development.¹⁰¹ In developing LED strategies, some issues should be kept in mind:

- **Consultation and participation:** Do consultations processes deliberately include both women and men? Are there strategies to ensure that the full range of voices is heard? Which women have been consulted on economic priorities and issues (young, older, business owners, employees from different sectors, community leaders, women from different ethnic groups, etc.)? Has there been consultation with women's organizations – generally those concentrating on economic issues? Did the consultation process explicitly document women's priorities and needs? Did women raise different issues compared to men?
- **Data and analysis:** Is sex-disaggregated data readily available (see box for examples of the kinds of data that are useful)? Was it used in the analysis? Do the people working on the analysis have experience in working with gender issues? Is there an awareness of Ukraine's commitments to gender equality and their relevance in LED planning?

Sex-disaggregated data combined with other data that are relevant to understanding gender inequalities and differences (see box) are often "gender statistics," which should be part of LED profiles and strategies.

- **Analysis of options:** Different options and priorities in the LED strategy should be examined through a gender lens. This means that consideration should be given to the potential differential impact on women and men. Will investments primarily be promoted in sectors dominated by male employees? Has any consideration been given to the impact on domestic work? If it is not clear how women will benefit equitably with men, then more investigation is required.

Special attention should be given to strategies that will help ensure that women can take advantage of new programs. This might mean reaching out to women's groups, temporary quotas or incentive measures to encourage employees to hire women, retraining and placement support, etc. Obviously, initiatives that perpetuate gender stereotypes (like beauty contests) should be avoided.

¹⁰¹ One guide on this issue is ILO (2010): Gender Mainstreaming In Local Economic Development Strategies; Geneva.

6.4. Gender Equality Issues

General gender equality issues in LED can be grouped around three basic issues:

Improving the position of working women: This involves increasing the number and quality of jobs for women, reducing the gender wage gap and reducing the number of sectors considered inappropriate for women. This also includes addressing issues such as sexual harassment in the workplace and discriminatory hiring practices.

LED Strategies can:¹⁰²

- Include training in non-traditional trades and employment for women (so they can benefit from investments in all economic sectors);
- Investigate investments in sectors where women are employed;
- Promote and improve labour codes that ensure decent working conditions; and,
- Encourage employers and businesses to adopt practices that support gender equality.¹⁰³

Increasing the number, viability and size of women-run businesses: Programs designed to strengthen own-account businesses should take the specific situation and needs of women entrepreneurs into account. Strategies and programs are required to ensure that women can benefit from investments in specific sectors, capacity building and market information initiatives.

LED strategies can:¹⁰⁴

- Provide training and support (including credit and start-up incentives) to women entrepreneurs;
- Support mentoring among women business owners;
- Support the formation of women's business associations; and,
- Ensure that business support centres reach out and respond to the needs of women business owners.

Increasing women's participation in economic decision-making: Participation has a variety of dimensions and in that regard a number of these dimensions can be included in this issue, such as women's representation in municipal councils, women's participation in business associations, the involvement of women's organizations in economic discussions and planning, and women as citizens involved in local discussions on what type of economy they would like to see in their town or city.

LED strategies can:

- Include measures to strengthen women's participation in local decision-making (training, adopting temporary quotas, implementing national commitments and laws, etc.);
- Ensure that consultation strategies include explicit measures to ensure diverse voices are heard; and,
- Involve women's organizations and civil society organizations that represent diverse groups.

In order to make progress and achieve results in the three general areas above, we must consider other issues that will influence progress and understanding:

Availability of data and gender-disaggregated data: As outlined above, certain basic data are required to understand gender differences and inequalities in local economies. Without such data, it is impossible to know if and where these inequalities exist.

LED strategies can: ensure the collection and analysis of gender-disaggregated data and gender statistics; include this data in city profiles, use it in economic planning and learn about accounting for women's unpaid work.

Capacities of local authorities: Using a gender lens or gender analysis often involves new skills for local governments and politicians. For example, a "gender-based budget" is one tool that has been used in some areas. Leaders also benefit from an understanding of the national commitments and legislation relating to gender equality so they can implement these at the local level.

LED strategies can: include capacity building for local authorities on gender dimensions of economic planning; consult with women's organizations to learn more about gender issues; carry out joint research with women's organizations; and, support a "gender analysis" of the city budget.

¹⁰² Each LED strategy should be based on the specific situation but these are actions to be considered.

¹⁰³ See for example Oxfam International (2012): Gender Equality: It's Your Business. Briefings for Business No. 7, International Edition. Also: the United Nations Women's Empowerment Principles (http://www.unifem.org/partnerships/womens_empowerment_principles) offers guidance on how the private sector can support greater gender equality.

¹⁰⁴ Numerous support materials exist. See, for example, the numerous tools available from the International Labour Organization (ILO): (http://www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_ent/documents/publication/wcms_117998.pdf)



GENDER RESPONSIVE BUDGETS

are accountability and impact assessment tools that look at government revenue and expenditure through a gender lens. This tool can help identify gender-disproportionate consequences of how revenue is raised and spent (who is benefiting from government investments).¹⁰⁵

Capacities of women's organizations: Women's organizations often need support to articulate priorities and gender equality issues in discussions regarding LED. "Economic literacy" is a key skill; additional skills in negotiation, public speaking and advocacy may also be required.

LED strategies can: support women's organizations (training, capacity building, etc.) and include women's organizations as working partners.

Balancing work and family responsibilities: The expansion of women's work opportunities has generally not been accompanied by a decline in family responsibilities. In Ukraine (and globally), women continue to do the bulk of "care" work for the young and the elderly, plus cooking, shopping, cleaning, laundry, etc. This issue can be addressed through workplace policies that support better work/life balance (flex-time, family leave, etc.), improve take up of paternity leave by men, encourage men to take on more of these tasks, and, invest in social infrastructure such as childcare.

LED strategies can: include provision of key services (such as childcare), support employers' efforts to develop gender equality policies, etc.

Gender stereotypes: The labour market in Ukraine remains marked by strong gender stereotypes, including what is "appropriate" work for women, sexist attitudes towards women and their aptitude, and discriminatory hiring practices. Progress on the three key issues outlined above will require change in these attitudes among the general population. Work with youth and young people is particularly important in charting new relationships for the future.

Violence against women: Given the economic costs of violence against women, this issue should always be taken into consideration in LED strategies.

LED strategies can: include city safety audits,¹⁰⁶ ensure that workplaces are free from violence, encourage compliance with national legislation and commitments on violence against women, etc.



KEY GENDER DEFINITIONS

Sex refers to the biological characteristics which define someone as being female or male.

Gender refers to what society perceives as being male or female from a socio-economic perspective with regard to men's and women's roles, division of responsibility, the value attached to the work each does, how they should behave and what constitutes being masculine or feminine in any given context. These values are culturally biased, can change over time, and often determine women and men's respective access to opportunities in life.

Gender equality refers to equality between women and men in terms of opportunities, rights, benefits, responsibilities, security and access to and control over resources. Gender equality does not mean that women and men have to become the same, but that their access to rights, and their responsibilities and opportunities are not dependent on whether they are born male or female. In the context of LED, it means that participation in governance and the economy and access to services are not negatively influenced by the fact that one is either male or female.

Access to and control over resources refers to the assessment of male/female access to and control over the resources they need to participate equitably in local economic development projects. Resources include:

- human resources (e.g. labour, power, health, information, education and skills)
- tangible resources (e.g. money, assets, commodities and land)
- intangible resources (e.g. time, contacts, networks, information and political influence).

Benefits refer to the results from using resources related to LED. They can include meeting basic needs (e.g. food, housing or security), increasing resources (e.g. income, assets, skills or savings) and improving social position (e.g. education, status or political power).

¹⁰⁵ See <http://www.gender-budgets.org/> for more information and background.

¹⁰⁶ See, for example, Women in Cities International (and) Women's Safety Audits: What Works and Where? UN-Habitat, Women in Cities International and SIDA.

Equal opportunity versus equal benefits refers to taking into account the different roles of women and men and their inequitable access to resources: some groups of women or men may not be able to benefit from the same opportunities. For example, if a training program is offered at a time that interferes with women's childcare responsibilities, women may not be able to attend.

A focus on **equal benefits** recognizes the different situations of women and men then develops strategies to ensure that both sexes can benefit from a given resource. The key is to find out the gender-based barriers to full participation for each specific group of women and men. LED projects must be designed with provisions in place to overcome any such barriers for each group.

7

ENVIRONMENTAL SUSTAINABILITY AND LED¹⁰⁷

Chapter Overview

From an environmental sustainability perspective the challenge for those in local economic development is to find ways of securing jobs and incomes for local people without compromising the ability of future generations to meet their own needs. It recognizes that social, economic and environmental issues are interconnected and that decisions must incorporate each of these aspects in order to be successful over the longer term. This chapter explores these various issues; describes and defines how these issues impact LED; and suggests ways in which LED efforts can achieve a more effective and more beneficial result within a broader, more sustainable and more inclusive partnership.

¹⁰⁷ This section was prepared by MLED Environmental Specialist Mr. Doug Hickman.

Air, water and soil support the interplay of organisms, materials and substances through the webs of life. These webs, defined as ecosystems, are essential to the self-regulating nature of the world we live in. Damaged ecosystems lead to degradation of the natural and environmental resources on which all life – including human life – depends. Poor environmental quality is directly associated with increased levels of disease and mortality, and with reduced quality of life. Achieving healthy and prosperous communities therefore means that local economic development must be, among other things, environmentally sustainable. These concepts are reflected in the concept of “sustainable development” defined by the United Nations:



“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

Economic activities are said to be environmentally “sustainable” when they do not exceed the capacity of the environment to absorb the negative impacts of those activities without serious impacts on local or wider ecosystems. Conversely, activities that exceed the capacity of the environment to absorb the negative impacts of those activities or that cause serious impacts on local or wider ecosystems are said to be “unsustainable.” Environmentally sustainable LED therefore:

- Minimizes negative impacts on the environment; and
- Supports economic initiatives that bring environmental benefits.

The integration of environmental sustainability into LED strategies and actions, however, requires the adaptation of existing measures and the development of new ones that take account of local environmental opportunities and constraints. This section therefore addresses how this can be done and provides practical examples of how communities are benefiting from environmentally sustainable LED. The main focus is on larger cities and communities, though an example is provided at the end of the section on how environmental sustainability has been integrated into the local economic development strategy of a small rural community.

7.1. Integration of Environmental Sustainability into LED

The integration of environmental sustainability into LED should be planned at a functional level and should be organized at an institutional level.

7.1.1. Environmental Sustainability of LED at the Functional Level

Local (i.e., municipal) functions may be defined differently across jurisdictions, but they typically include:

- Policy to identify overall objectives and methods for achieving objectives. Policy expresses in broad terms what is desired and how it will be achieved. Economic development policy at the local level is developed within the context of relevant national and regional policies. It may be expressed very briefly in terms of outcomes that will be achieved or methods to be used, or may be elaborated into detailed plans.
- Spatial planning to allocate land for desired activities. Land use allocation (zoning) and related issues are undertaken in the context of national and sub-national (i.e., oblast/region) direction.
- Procurement and internal operations to effectively run the organization.
- Delivery of services, including investment in the infrastructure necessary to deliver services. Local services may be delivered in various ways, and may involve public and private sector entities.
- Capital and operational financing in support of all activities. Local entities depend on state-level subsidies to support their activities but also undertake revenue-raising activities of their own.
- Public awareness/education related to initiatives that are undertaken. Public awareness of and education related to new initiatives is necessary to win public support.
- Capacity-building within the organization. On-going capacity development is necessary to ensure the effective performance of local entities.

The effective performance of each of these functions requires a phased approach that might include the following:

- Design/planning to ensure that all functional activities are appropriate in terms of their scope, budget and timing;
- Implementation (i.e., the actions necessary to launch a functional activity);
- Operation (i.e., the day-to-day activities to maintain a functional activity after it has been implemented);

- Monitoring to ensure that activities meet their goals, including compliance measures where these are necessary; and,
- Updates in response to monitoring to ensure that functional activities remain relevant to the community.

The application of environmental sustainability to LED requires consideration of the environmental sustainability priorities for each function undertaken by a community during each phase of activity. The chart below identifies the measures that can be taken to integrate environmental sustainability into each activity related to the function that is being spearheaded at the local level.

This chart identifies how the integration of environmental sustainability into each functional activity can be designed to also achieve LED objectives. In some cases, integrating environmental sustainability will directly benefit LED (e.g. jobs and economic activity will likely result, waste may be recycled or electricity conserved); in other cases, LED may have indirect benefits that nonetheless depend on the success of an environmentally sustainability activity (e.g. the remediation of contaminated land, resulting in new, environmentally appropriate industrial activity).

INTEGRATION OF ENVIRONMENTAL SUSTAINABILITY INTO ECONOMIC DEVELOPMENT AT THE LOCAL LEVEL

| Phases of Environmentally Sustainable LED | | | | | |
|---|---|---|---|---|--|
| Economic Development Functions at Local Level | Plan/Design | Implement | Operate | Monitor | Update |
| Policy | Develop LED policy to include (i) long-term environmental objectives; (ii) short- and medium-term targets | Council to agree to LED environmental objectives and targets | All LED proposals to demonstrate consistency with environmental sustainability objectives/targets | Council will monitor environmental performance of new initiatives and require changes as necessary | Review policy every five years; update as necessary to achieve LED environmental objectives and targets |
| Spatial Planning | Determine: (i) land requirements to support necessary environmental infrastructure/services; (ii) infrastructure/services needed to support designated land uses | Acquire land and develop operational procedures as needed, including those to protect on-site and adjacent land use from the negative impact and LED | Undertake procedures | Monitor: (i) impacts of environmental infrastructure on adjacent land uses; (ii) adequacy of environmental infrastructure | Based on monitoring: (i) mitigate impacts on adjacent land uses; (ii) allocate additional land for environmental infrastructure |
| Procurement and Internal Operations | Establish environmental baseline; determine opportunities to improve environmental performance and objectives; identify related LED opportunities | Establish “Green Committees” to define and guide environmental procurement and related LED opportunities | Procure environmentally-preferred products and modify internal operations to achieve environmental benefits | Quantify benefits of enhanced environmental performance and related LED benefits | Identify new opportunities for enhancing environmental performance and related LED benefits on an annual basis |
| Service Delivery | Establish environmental and performance standards and methods for delivery of environmental services; consider LED and other advantages of private sector participation | Establish and implement schedules/sign contracts to build environmental infrastructure and start-up of new environmental services | Undertake environmental services to support LED | Monitor environmental and performance standards against achievements; implement compliance actions if achievements fall short of expectations | Review adequacy of environmental and performance standards and adjust, if necessary; adjust operational aspects of environmental sustainability to achieve desired results |
| Capital and Operating Financing | Establish capital and operating budgets to address environmental sustainability priorities; identify financing and cost recovery mechanisms, including incentives to encourage desired actions and benchmarks for affordability | Implement financing plans; demonstrate improved environmental performance before charging higher cost recovery from households and legal entities | Invoice environmental cost recovery charges; facilitate payment of cost recovery charges by households and legal entities | Record environmental cost recovery payments and outstanding debts by households and legal entities; implement compliance actions for outstanding debts | Review environmental cost recovery annually; consider cross-subsidies to support payments by the poor; update environmental cost recovery as necessary |
| Public Awareness and Education | Establish key messages in support of LED environmental sustainability; target audiences for each message and mechanisms for delivering each message. The overall goal is to build community support for financing enhanced environmental sustainability | Communicate key messages in advance of actions to implement environmental sustainability actions; focus on LED and other benefits that will arise from environmental sustainability actions | Communicate how households and legal entities should participate in environmental sustainability actions | Monitor the success of environmental sustainability actions, including economic benefits; identify issues/problems related to the actions of households/legal entities; provide feedback on results and actions that households/legal entities should take to improve results | Adjust public education/awareness messages as necessary to achieve desired results and maximize economic benefits of environmental sustainability |
| Capacity Building | Develop/implement long-term environmental capacity building to address above functions and priorities. Capacity-building to include administrative, financial and technical aspects of LED environmental sustainability. Capacity-building to target all levels of employees. | | | | |

Chart 14.

Specifically, the chart identifies the following:

Policy

Policy that links environmental sustainability with economic development helps to ensure that environmental issues are adequately addressed throughout all aspects of economic development activity. Policy by itself is insufficient to ensure environmental sustainability in LED; on the other hand, routine integration of environmental sustainability in LED will not occur in the absence of an adequate policy framework.

In Canada and other countries, communities have adopted environmental sustainability policies that guide all aspects of local LED activities. The box below summarizes the policy adopted by the City of Edmonton, AB.



ENVIRONMENTAL SUSTAINABILITY POLICY – CITY OF EDMONTON, ALBERTA, CANADA

In 2011, the City of Edmonton, AB (population 820,000), adopted an environmental sustainability policy and strategic plan. The Way We Green sets out a vision for the city by 2040 in which it will be “a leader in energy efficiency and energy conservation, a carbon-neutral city in which air and water are cleaner and the amount of waste that is generated is less than today, and the ecological footprint of the city is shrinking.” Stated goals have been set for each aspect of this vision, objectives specified and actions identified; the policy and the associated strategic plan can therefore be independently monitored and progress towards results established.

The effect of the policy is to open new LED opportunities related to the full range of environmental sustainability technologies, services and research that are needed to achieve the overall civic vision. The policy establishes that future LED will be environmentally sustainable: it is viewed as consistent with LED and positioned as a major driver of future LED. The policy goes far beyond the activities of city hall itself since it requires private sector developers and investors to integrate environmental sustainability into the investments they propose and which require permits from the city. The main tool for monitoring progress towards achieving such a policy and strategy will be the environmental management system set out in ISO 14000.

http://www.edmonton.ca/city_government/city_vision_and_strategic_plan/the-way-we-green.aspx

Spatial Planning

The linkage of environmental sustainability to spatial planning helps ensure adequate environmental infrastructure and services are provided as appropriate for specified land uses. In other words, environmental services required to support different land uses are part of the spatial planning process. Wastewater handling, hazardous/non-hazardous waste management and other environmental services are defined for land that is zoned for specific activities; the planning process then allocates land for the environmental infrastructure necessary for the necessary services to be provided (e.g. wastewater treatment plants, waste treatment/disposal facilities, etc.).

Spatial planning technologies have become available in recent years that can be applied to integrate environmental sustainability into planning processes. The box below identifies how the City of Hamilton, ON, has integrated environmental sustainability into its spatial planning process as part of its LED strategy.



GROWTH-RELATED INTEGRATED DEVELOPMENT STRATEGY (GRIDS) – CITY OF HAMILTON, ONTARIO, CANADA

The City of Hamilton, ON, is a manufacturing centre of 520,000 that adopted a growth-related integrated development strategy (GRIDS) to identify where and how future growth should be accommodated. The basis for the strategy is the “triple bottom line,” which balances environmental, social and economic factors. Different growth scenarios have been developed for the city, giving consideration to environmental, social and economic opportunities and constraints on a regional and local level. Six development scenarios were formulated that would guide LED over a 30-year period, each having been evaluated against the “triple bottom line” criteria. Meetings with stakeholders and residents have been held to guide this process and a preferred development option has been identified. These notions are based on the following:

- Transportation nodes and corridors, land supply values and environmental constraints are being evaluated;

- Zones for commercial activities are being identified, together with employment related to those zones;
- Infrastructure Master Plans are being developed that support the preferred growth option;
- Environment plans are being developed, as/when appropriate;
- Development fees that will be charged by the city to investors are being finalized; these fees will finance the city's activities related to environmentally and socially sustainable development planning; and,
- Detailed zoning plans and design guidelines are being developed.

http://www.hamilton.ca/CityDepartments/PlanningEcDev/Divisions/StrategicServicesSpecialProjects/GrowthRelatedIntegratedDevelopmentStrategy/?WT.mc_id=GRIDS&WT.hamilton_redirect_friendly=1

Procurement and Internal Operations

Communities have a high degree of autonomy and flexibility regarding the infrastructure, facilities and equipment they procure, and the way in which they organize their internal operations. Consideration of environmental sustainability issues in procurement and internal operations can reduce operational expenses and the environmental impacts of such operations. At the same time, procurement that reflects the values of environmental sustainability can be a major stimulus to the development of environmentally-preferred products and services. The specification of such specific criteria which must be met in the supply of goods and services (e.g. the energy conservation rating of windows, post-consumer fibre content of paper, etc.) can stimulate the creation of environmentally-preferred products that did not previously exist. These products and services may subsequently be marketed by manufacturers and suppliers on a wider basis, resulting in further benefits.

The box below identifies how the City of Vancouver, BC, has integrated the procurement of environmentally-preferred products and services into its overall procurement activities.



INTEGRATION OF ENVIRONMENTAL SUSTAINABILITY INTO PROCUREMENT PRACTICES – THE CITY OF VANCOUVER, BRITISH COLUMBIA, CANADA

The City of Vancouver, BC, is a port-city of 615,000. Enhanced environmental sustainability is a core component of LED strategy in the city, which in 2012 had an operating budget of \$CAD 1.1 billion (UAH 9.15 billion) and a capital budget of \$CAD 255 million (UAH 2.1 billion). The city has developed a policy to procure goods and services based on the concept of "best value," defined as "the optimal combination of total cost of ownership, economic sustainability, environmental sustainability, social sustainability, reduced carbon dependency and zero waste." The policy "recognizes and rewards within the supplier selection process excellence and innovation among suppliers who demonstrate leadership in sustainability, environmental stewardship and fair labour practices."

In order to achieve these goals, the City of Vancouver:

- Sets minimum specifications for goods and services that achieve environmental benefits, such as increased energy and resource efficiency, reduced toxicity and pollution, reduced carbon dependency, zero waste and other environmental attributes.
- Uses, where appropriate, an evaluation model that incorporates the Total Cost of Ownership of products and services, such as environmental, social and economic costs and benefits.
- Gives preference, where feasible, to products and services that represent a non-carbon alternative, are carbon neutral or minimize greenhouse gas emissions.
- Works collaboratively with suppliers to advance environmental performance of products and services.
- Selects suppliers based on best value both in terms of the supplier's overall social and environmental performance and the social and environmental attributes of the goods and/or services.
- Identifies opportunities where procurement activities may serve to leverage the goals related to LED and, in particular, support the development of an environmentally sustainable local economy. It also works with the supplier, community and economic development agencies to identify and capitalize on such opportunities.

<http://vancouver.ca/green-vancouver/sustainable-purchasing.aspx>

Service Delivery

City councils are responsible for the delivery of many services at the local level, including environmental services. Traditionally, councils have themselves delivered the services for which they are responsible. For example, councils are responsible for waste collection and in most cases their city owns and operates the equipment necessary to deliver this service. However, while councils are responsible for designated services, they have choices in the way that services are delivered. The range of choices available to councils in this regard is defined in national legislation.

Increasingly, city councils are considering alternative methods for the delivery of the environmental services for which they bear responsibility. Pressure to change is driven by several factors:

- Demand by the public for high-quality environmental services;
- Lack of capital available to councils to meet environmental investment requirements;
- Lack of expertise/capacity within the local public sector to deliver required or desired services; and,
- Inefficiency and/or poor performance of existing environmental services delivered by the public sector.

The participation of the private sector in the delivery of environmental services traditionally borne by the city can open new opportunities to enhance environmental performance while also achieving LED objectives. PPPs are often used in this regard. The form that these arrangements take reflects the services provided by the private sector and may include one or more of the following:

- Facility site selection, design and financing;
- Facility ownership (often for a defined period, following which the facility is transferred to the public sector);
- Facility construction, operation and maintenance; and,
- Equipment operation and maintenance.

The range of environmental services that may be provided by a PPP arrangement includes some or all aspects of wastewater treatment and management, solid waste treatment and management, redevelopment of brownfield sites, energy management, parks/biodiversity management and others.

The potential advantages to the local council of a PPP arrangement may include the following:

- Access to capital and/or operational financing that would not be available otherwise;
- Application of specialist expertise in the delivery of a service that is not available in the public sector; and,
- High performance of a service that cannot be achieved by the public sector.

PPP arrangements are paid for through user fees that may be invoiced to the local council or directly to the users of the service. In some cases, PPP arrangements may generate new revenues that pay for a service directly.

PPP arrangements may or may not result in lower costs for the delivery of environmental services. Typically, the private sector may operate more efficiently than the public sector in the delivery of such services because it has greater flexibility to invest in newer and efficient equipment. This reduces costs to the extent that more efficient equipment saves money directly or results in lessened labour requirements. However, there is a cost to the money used by the private sector to finance its operations – the private sector must profit from its activities. These factors result in increased costs as compared to public sector delivery of services.

A PPP arrangement may be desirable even if the net cost of service delivery by the private sector is higher than the public sector cost if:

- Required financing to support a desired level of service is not available to the public sector; and,
- The private sector can deliver a desired service that is beyond the capacity of the public sector.

In any PPP arrangement, the role of the public sector in establishing norms, standards and procedures for the performance of the service is critical, and payment to the private sector PPP partner should be contingent on the demonstrated performance of the partner within these requirements.

The box below illustrates a PPP arrangement in the Regional Municipality of Waterloo, ON, that generates energy from landfill gas.



PUBLIC-PRIVATE PARTNERSHIP FOR THE GENERATION OF ENERGY FROM LANDFILL GAS – REGIONAL MUNICIPALITY OF WATERLOO, ONTARIO, CANADA

The Regional Municipality of Waterloo, ON, has an institutional structure similar to an Association of Territorial Communities. Accordingly, the RM is responsible for a range of services on behalf of its members; these services include the disposal of waste.

In 1995, the RM of Waterloo needed to address the problem of gas generated in its 72-ha landfill in response to concerns raised by residents and other stakeholders regarding the odour and environmental impacts of the gas. Following a review, the RM determined that the technical opportunity existed to use the landfill gas to generate electricity. However, the RM: (a) lacked financing to implement the project; (b) did not have the necessary technical or operational expertise; and, (c) lacked expertise in the marketing of the energy that would be produced. The solution was to enter into a PPP arrangement in which:

- The Regional Municipality receives and manages waste at the landfill, collects the landfill gas that is generated by the waste and delivers the gas to the private sector partner.
- The private sector partner financed (\$CAD 7.5 million, [UAH 63 million]), designed, constructed, owns, operates and maintains a facility to convert landfill gas into electricity, plus it markets the electricity that is generated.

The result is the generation of 5MW of electricity, an amount that will grow to 8MW as waste continues to be delivered to the landfill site until its scheduled closure in 2028. Landfill gas generation – and electricity production from it – are expected to continue until 2050. The PPP arrangement sets out the operational requirements of the facility, and these are monitored by the Regional Municipality. The private sector receives revenue from the sale of the electricity it produces and pays the RM a royalty for the gas it receives.

<http://www.regionofwaterloo.ca/en/aboutTheEnvironment/resources/landfill.pdf>

Capital and Operating Financing

The way in which environmental infrastructure and services are financed can have a major impact on the resources available for such infrastructure and services and therefore on the quality of the service that is performed. These are key issues for LED since they are directly related to the ability of communities to generate revenues to pay for environmental services.

Capital financing by communities can be achieved through:

- Agreements that the community may negotiate with a lender, either a domestic or foreign entity. In practice, low levels of creditworthiness mean that agreements with a lender may require a sovereign guarantee, although the charters of some financial institutions (e.g. European Bank for Reconstruction and Development) may allow them to negotiate loans directly with the community;
- Public-private partnership arrangements (described above); and,
- The resources of the community itself (including transfers from the central government). The affordability of this option depends on the scope of investments that are desired but may be prioritized over a period of years. Local solutions developed using local expertise and under local management can be affordable and effective. For example, the City of Tbilisi, Republic of Georgia, constructed a landfill in 2010 to EU standards for approximately 12 million Georgian lari (UAH 60 million).

Operational financing can also be achieved through different mechanisms. However, central principles of operational financing should imply that:

- Cost recovery mechanisms be designed to recover the full costs of environmental infrastructure and services, including all costs related to the cost of capital, operations and maintenance. For some types of environmental infrastructure (e.g. landfills) it is appropriate to progressively develop management facilities over time so that capital costs are reduced as far as possible. However, in this instance operational cost recovery mechanisms should include the cost of the subsequent development of the necessary infrastructure, unless separate financing has been secured in advance.
- Within international benchmarks of affordability, national tariff agencies should progressively increase the maximum tariff that may be charged to the beneficiaries (i.e., households and legal entities) of environmental infrastructure. This has the double benefit of reducing the level of public subsidy necessary to support environmental infrastructure and lessening the demand of users on environmental resources (e.g. water consumption decreases when users are charged for the cost of water and wastewater treatment).
- User charges for the poor should be at minimal levels so that they are not further disadvantaged, and cross-subsidies from wealthier users should be considered.
- Increases in user charges should be introduced after improvements in environmental services have been introduced

- so that users link the additional costs they pay with the increased level of service they receive.
- Billing systems should be in place to support all cost recovery actions for environmental services, and a record should be maintained of those who do and who do not pay; compliance measures should be undertaken with respect to those who do not pay.

The box below describes an innovative approach to operational financing of waste management in the City of Tbilisi in the Republic of Georgia.¹⁰⁸



OPERATIONAL FINANCING OF WASTE MANAGEMENT, CITY OF TBILISI, REPUBLIC OF GEORGIA

The City of Tbilisi (population 1.2 million) has invested in major improvements to its waste collection and disposal infrastructure and equipment as part of a wider strategy to support LED and, in particular, tourism development. In order to meet the higher costs of the new system, in 2011 the city council increased the waste fee payable by each household from Georgian Lari (GEL) 1.20/month (approx. UAH 6/month) to GEL 2.50/month. However, collection rates were poor and insufficient revenue was achieved. Accordingly, the mechanism for charging for waste management was changed: in mid-2011, the fee was linked to electricity consumption so that households now pay a waste fee of GEL 0.05 for each kilowatt of electricity they consume. The waste fees are paid to the electricity provider, which then turns the money over to the City of Tbilisi; failure to pay the waste fee can and does lead to electricity being cut until the bill is paid. Collection of waste fees is routinely in excess of 95%, resulting in sufficient revenue to properly operate and maintain the waste management system. In addition to the high level of fee collection, this system has the advantage that migrants to Tbilisi who do not register with city authorities (and who cannot therefore be billed for their use of city services) can be billed for waste management services through the electricity bill.

Public Awareness and Education

The incorporation of environmental sustainability LED strategies is a new approach in Ukraine. Public education and awareness initiatives are therefore highly important to ensure that residents and other stakeholders understand the benefits of environmental sustainability measures, plus the linkages between environmental sustainability and LED. In particular, it is important that key public awareness and education messages are considered with respect to the initiatives that are undertaken. In this context:

- Awareness-raising messages target value changes in the community in support of environmental sustainability;
- Education messages provide residents with factual information about environmental sustainability, including the linkages with LED.

In particular, public awareness and education may be required to build and demonstrate a level of public support for environmental sustainability initiatives necessary to gain political acceptance of new initiatives and ensure the willingness of residents to pay for improved environmental services.

The following box presents a public awareness initiative in Nova Scotia, Canada, that targets children as part of a longer-term initiative to change societal attitudes towards waste and littering.

¹⁰⁸ Information compiled from meetings between Doug Hickman and City of Tbilisi, November 2011.



PUBLIC AWARENESS TO PROMOTE CLEAN COMMUNITIES, CLEAN NOVA SCOTIA FOUNDATION, CANADA

The problems of littering and waste are a priority for large and small communities across the province of Nova Scotia. In order to address this, the non-profit Clean Nova Scotia Foundation has developed a program to increase public awareness at the local level regarding the negative impacts of littering and waste at the community level. The program is targeted at children aged 6–9; however, the messages delivered by the program reach the wider community as a result of children talking to their families about the information they receive. Presentations are made to school classes by program staff, and teachers are provided with educational materials that they can use as follow up to the presentations. Emphasis is placed on presentations and materials that will be easily received by young children; brightly coloured pictures, colouring books, music and songs are all used to communicate the main messages to prevent litter and to keep communities clean. A life-size mascot (“Eddie the Cat”) is used to publicize the program. The costs for the program are shared between a government agency and a private company, emphasizing the interest of all stakeholders in maintaining clean communities.

<http://clean.ns.ca/programs/waste/great-nova-scotia-pick-me-up>

Capacity Development

Capacity development related to all aspects of environmentally sustainable LED will support rapid progress in this regard. The design and implementation of capacity development should consider that capacity building in environmental sustainability and LED should be conceived and implemented over the long term (i.e., at least several years). It should address the functions and priorities identified in Figure 17 but also be tailored to specific actions that are a priority to the community.

Capacity development should be designed/implemented at three levels:

- **Technical.** Capacity development focuses on the application of sustainable technologies and processes in support of LED. The objective is to enhance the operational performance of environmentally sustainable LED. The target groups who should benefit from capacity development at this level include professional and operational staff at the local level.
- **Administrative.** Capacity development targets decision-making in support of sustainable LED. The objective is to enhance the ability of decision-makers to balance competing considerations relating to budgets, human resources, short-/medium-/long-term interests, stakeholder pressures and other factors in support of environmentally sustainable LED. The target groups who should benefit from capacity building at this level include decision-makers and those in senior administrative positions.
- **Financial.** Capacity building stresses the application of financial tools that can be used to achieve environmentally sustainable LED; their use can have a profound impact on LED behaviours that have an impact on the environment. The objective of capacity building at this level is to introduce financial levers into policy-making. The target groups who should benefit from it at this level should be those holding political office and senior administrators.

7.1.2. Environmental Sustainability of LED at the Organizational Level

The organization of the environmental sustainability of LED may be undertaken in different ways according to the priorities and institutional structure of the community. Whatever organizational structure is selected, the following should be addressed:

- A coordinating entity (e.g. department, unit, etc.) should be established to identify and coordinate environmentally sustainable LED actions in accordance with council decisions. This entity should report to council on a regular basis (at least once per year) regarding: (a) the environmental sustainability activities it has taken with respect to LED; (b) the contribution of environmental sustainability to LED (e.g. the number of jobs, the value of tax receipts or the value of economic activity); and, (c) the opportunities for future environmental sustainability actions in support of LED together with recommendations for how these may be undertaken.
- Functional entities (e.g. departments or units responsible for transportation, parks and other local-level functions) should adapt their operations to support environmentally sustainable LED objectives. These entities should be required by council to inform the coordinating entity of their environmental sustainability actions in support of LED

on a regular basis and according to an agreed format; this ensures that one entity (i.e., the coordinating entity) can provide a wide perspective of environmentally sustainable LED to council. However, the provision of information does not imply a formal “reporting” relationship between functional entities and the coordinating entity; this formal relationship continues to exist between the functional entities and council.

The figure below illustrates these organizational relationships. The box below describes the application of this organizational framework in the City of Montreal, Canada.

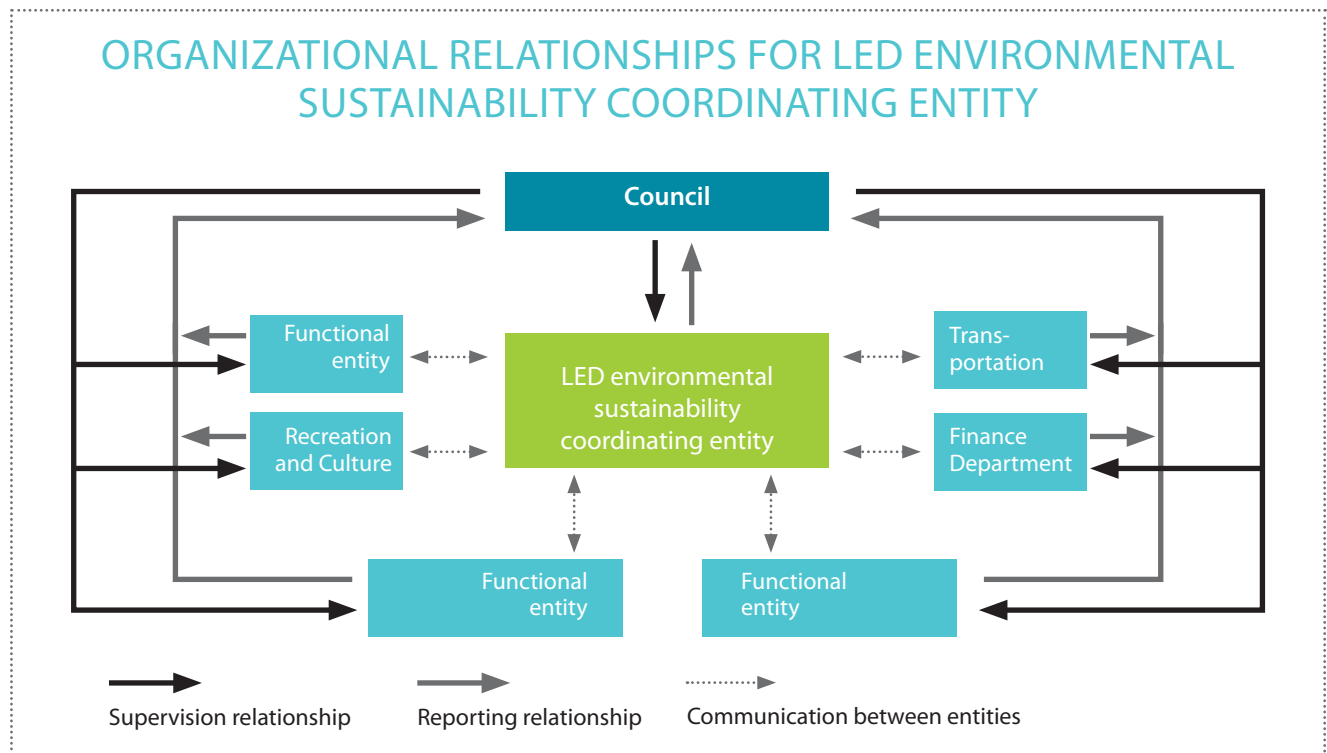


Figure 17.

COORDINATION OF LED ENVIRONMENTAL SUSTAINABILITY IN MONTREAL, CANADA

The City of Montreal (population 1.65 million) has adopted a Community Sustainable Development Plan for 2010–2015. The plan identifies goals and actions that address: reduction of greenhouse gases; improved air quality; the retention of families in the city; reduced water consumption; improved quality of storm water runoff; recovery of wastes for reutilization; development of environmental and clean technologies; increased levels of certification in sustainable development; enhanced green infrastructure; and, employment training. Actions to achieve the stated goals are integrated within the work programs of each municipal department, and each department orients, manages and implements its activities accordingly, plus monitors and reports progress related to these and other activities that it undertakes. In parallel, the city’s Environment Office is responsible for sustainable development, for monitoring overall progress towards goals that have been established, and for reporting to city council. In addition, some of the actions identified in the plan are directly implemented by the Environment Office, which communicates with other departments and may act as a resource for them but is not involved in the management or implementation of actions that other departments take.

7.1.3. Environmental Sustainability and LED in Rural Communities

Local economic development is a priority for all communities, large and small. While the opportunities for LED in small communities may be more limited than in larger ones, appropriate LED actions can be highly effective on a local level in the small, with environmental sustainability considerations possibly proving central to these actions. The box below identifies the LED strategy of the community of Craik, a small town in central Saskatchewan, Canada.



ENVIRONMENTAL SUSTAINABILITY AND LED IN CRAIK, SASKATCHEWAN, CANADA

The community of Craik, SK (population 453), is an agricultural community that experienced a declining population for very many years in the late 20th century. In 2001, the community began to formulate a local economic development strategy based on “sustainable living” principles. Initially, this was implemented through the Craik Sustainable Living Project, an initiative that features:

- An Eco Centre. This multi-purpose facility is constructed from straw that would otherwise be waste from local agricultural activities. It features innovative and energy-efficient building design, and integrated heating, cooling and renewable energy systems. The facility has rooms for business and social functions, a restaurant and a golf pro shop,
- An Eco Village. Plots are available for individuals and businesses that wish to locate in Craik and build houses or business accommodation that adhere to sustainable building technologies, systems and lifestyles. The town has attracted small “environmental” businesses and a private school that also adheres to principles of environmental sustainability; and,
- Education and awareness activities that include technical workshops on aspects of environmentally sustainable living.

More recently, the community has attracted a bio-refinery that processes agricultural and other organic wastes into fuel and other products.

Over 2006–2011, the population of the community increased by 11 percent.

8

DEFINING EXPECTED RESULTS AND TRACKING PROGRESS/SUCCESS

Chapter Overview

Despite its obvious importance, local economic development is notoriously difficult to benchmark, monitor or evaluate performance. Yet those LED efforts that are especially successful recognize that it is a costly, complex, long-term process that in utilizing scarce resources (predominantly provided by local governments) requires a proper and thorough evaluation from which programming might be properly premised to maximize LED effectiveness. This chapter discusses the importance of monitoring and evaluation to support an ongoing LED effort. The narrative includes a discussion of evidence-based evaluation, and explores the identification, articulation and utilization of realistic and relevant quantitative and qualitative LED performance measures.

It is important to evaluate operational performance. This is even though it would be easier to simply allow an acceptable level of performance to be achieved if there seems to be some general consensus among staff or key citizens, politicians and other stakeholders that LED efforts yield identifiable and generally positive outcomes/impacts. But are these the maximum impacts that could/should be achieved given the resources allocated? And, more to the point, are these types of impacts most desired?

Without a regular evaluation of performance that encompasses feedback and a subsequent reworking or even moderate “tweaking” of programming, it is possible that LED programs and services will achieve the most efficient and effective results, but it is unlikely. The truth is that regardless of how committed the staff and how well LED programs are designed and implemented, experience shows that the absence of formal and regular program evaluations means that established systems of program delivery eventually lose effectiveness over time, and the impacts of program efforts lose focus and intensity. When organizations undertake to regularly analyze performance, they increase their ability to improve results. They do so by incorporating what they learn into their planning and decision making. Under this framework they regularly adjust their resource allocation and operations to meet current realities and circumstances, and in doing so position the organization and its programs to achieve better and more focussed results.¹⁰⁹

8.1. What Is Performance Evaluation?

Evaluation is defined as the systematic and objective assessment of an ongoing or completed development intervention, its design, implementation and results. In the development context, evaluation refers to the process of determining the worth or significance of an intervention.

A proper evaluation in terms of LED seeks to focus on four fundamental factors of any effort: its relevance, effectiveness, efficiency and the sustainability of its impacts.¹¹⁰

To move forward, one must consider the process from a number of different, though inter-related perspectives.

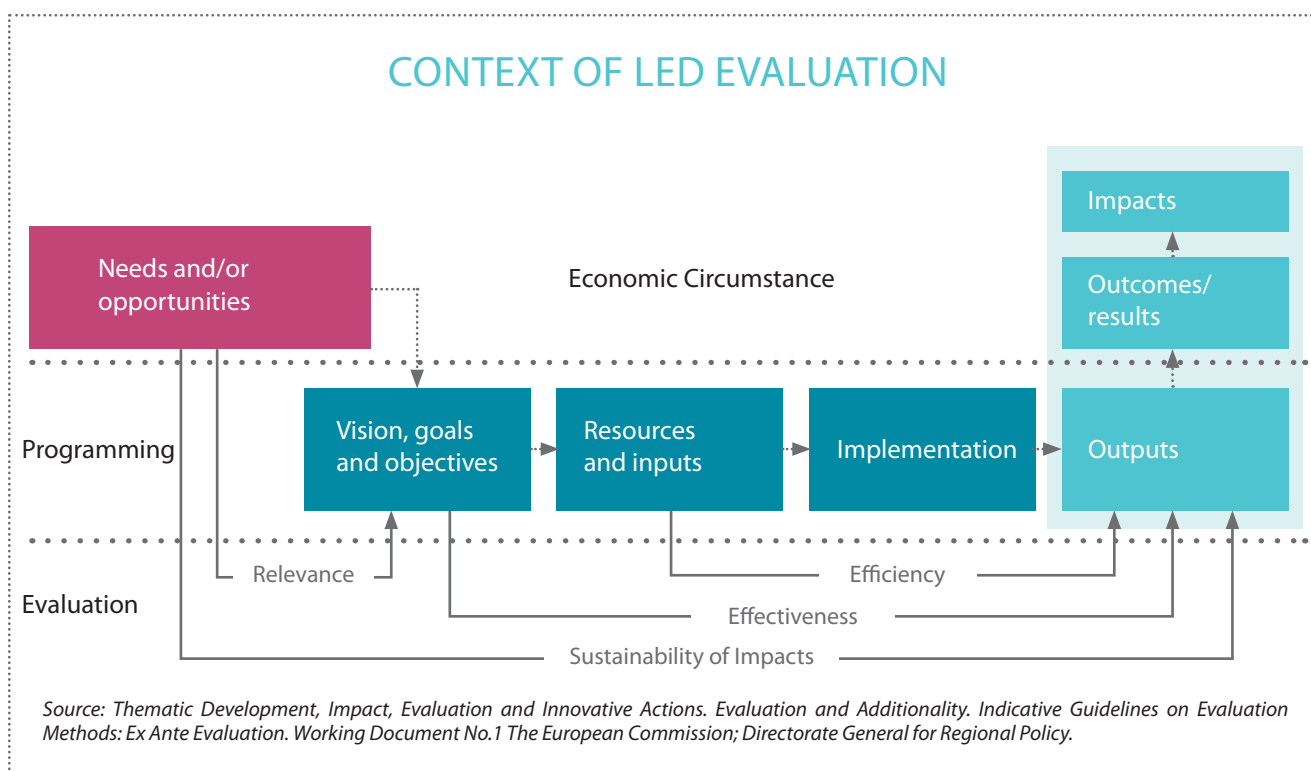


Figure 18.

¹⁰⁹ Community Initiatives Program Evaluation: Lochaven Management Consultants Ltd., July 15, 2007.

¹¹⁰ Implicit in this observation is that a proper evaluation effort takes into consideration results relating to gender equality.

Several approaches can be used to help evaluate local economic development efforts. One approach that has drawn considerable interest recently is “evidence-based evaluation.” Evidence-based evaluation has been utilized for years within such diverse disciplines as medicine, social work and education, yet only relatively recently has the concept been applied to LED. The fundamental pillar of the approach is that it is based on a “scientific” research methodology (counterfactual) for evaluating what works, what does not and the reasons why. Therefore, in terms of LED, a program is judged to be “positive” utilizing an evidence-based approach if: (a) evaluation research shows that the program produces the expected positive results; and, (b) the results can be attributed to the program itself rather than to other extraneous factors or events.¹¹¹

In respect to the delineation of evaluation criteria, the key to evaluating LED programming is the initial identification of qualitative and quantitative indicators that are realistic, relevant and obtainable. These indicators need to be drawn from the strategic planning effort (especially the articulation of goals and objectives) to ensure they are relevant. A sample of some common qualitative and quantitative indicators is included below:

| SAMPLE OF QUALITATIVE AND QUANTITATIVE MEASURES | |
|---|---|
| Sample Quantitative Measures | Sample Qualitative Measures |
| Number of jobs created/retained; | Satisfaction ratings with certain LED initiatives, including training and site selection assistance; |
| Cost per job created/retained; | An understanding of gender differences and inequalities; |
| Spin-offs for private investment; | Degree of coordination among organizations involved in LED; |
| Number of new businesses created; | Stakeholder/citizen satisfaction with LED impacts; |
| Number of new female owned/managed businesses created; | Community engagement in the process; |
| Number of trainees attending local seminars/training programs; | Evidence of satisfaction with GE considerations embedded in the effort; |
| Number of businesses relocating or retained in particular neighbourhoods; | Type/quality of jobs created (measured by average salary or skill base); and, |
| Number of community stakeholders engaged in LED planning and implementation; and, | Evidence of satisfaction with environmental sustainability considerations embedded in the LED effort. |
| Number of business investment enquiries received (and % by category). | |

Chart 15.

Regardless of the methodology adopted, a quality evaluation should provide credible and useful evidence to strengthen accountability for development results, contribute to learning processes or both. One excellent methodology in this regard is the results-based management¹¹² approach to delivery and performance applied by Canada Government within the context of its varied development initiatives and projects. The logic of this comprehensive monitoring and evaluative methodology works well when adapted to an LED context. An example of what an abbreviated LED exercise might look like is presented in the chart below.

¹¹¹ Evidence-Based Programs: An Overview: Siobhan M. Cooney, Mary Huser, Stephen Small and Cailin O’Connor; University of Wisconsin–Madison and University of Wisconsin–Extension, October 2007.

¹¹² “RBM is a program/project life cycle approach to management that integrates strategy, people, resources, processes and measurements to improve decision-making, transparency and accountability. The approach focuses on achieving outcomes, implementing performance measurement, learning, and adapting, as well as reporting performance.” <http://www.acdi-cida.gc.ca>

LED MONITORING AND EVALUATION USING PERFORMANCE MEASUREMENT FRAMEWORK

| EXPECTED RESULTS | INDICATORS | BASELINE DATA | TARGETS | DATA SOURCES | DATA COLLECTION METHODS | FREQ'Y | LEAD |
|---|---|--|--|--|---|---|--|
| ULTIMATE OUTCOME VISION (long-term) | A performance indicator is a unit of measurement that specifies what is to be measured along a scale or dimension but does not indicate the direction or change. Performance indicators are a qualitative or quantitative means of measuring an output or outcome with the intention of gauging the performance of a program or investment | Baseline data is the set of conditions existing at the outset of a program. Results are measured or assessed against this baseline data. Baseline data is collected at one point in time and is used as a point of reference. | A target specifies a particular value for a performance indicator to be accomplished by a specific date in the future. Targets should be realistic. Targets set the expectations for a performance over a fixed period of time. | Data sources are the individuals, organizations or publication(s) from which data about performance indicators will be obtained. <ul style="list-style-type: none">Identify the data source for each performance indicator that has been selectedFocus on existing sources to maximize value from existing data. | Data collection methods represent how data about performance indicators is collected. Some examples: <ul style="list-style-type: none">Analysis (of records or documents)Literature reviewSurveysInterviewsFocus groupsComparative studiesCollection of anecdotal evidence | How often will information about each performance indicator be collected? | Who is responsible for collecting and validating the data? |
| INTERMEDIATE OUTCOMES GOALS (medium-term) | Performance indicators are neutral: they do not indicate directionality or embed a target. Performance indicators have: validity, reliability, sensitivity, simplicity, utility and affordability. | | | Some examples: <ul style="list-style-type: none">BeneficiariesPartner organizationsGovernment documentsGovernment statistical reports | | Some indicators may be considered regularly as part of ongoing performance management, while others will only be collected periodically for baseline, midterm or final evaluations. | |
| IMMEDIATE OUTCOMES OBJECTIVES (short-term) | | | | | | | |



Chart 16.

APPENDICES



Appendix One: Common LED Acronyms

CBO – Community-based organization
CPR – Crisis prevention and recovery
CSO – Civil society organization
LTA – Long-term agreement
NGO – Non-governmental organization
PRSP – Poverty reduction strategy paper
SGP – Small grants program (of the Global Environment Facility)
SMEs – Small- and Medium-sized Enterprises
PB – Partnerships bureau
EU – European Union
ILO – International Labour Office/Organization

Appendix Two: Glossary of Key Terms and Definitions¹¹³

Absolute advantage – Term used when comparing two economies. An economy has an absolute advantage over another when it can produce more of a product, simply because it has more resources. Absolute advantage says nothing of efficiency or opportunity cost.

Angel investor – An investor who provides equity investment to start-up businesses.

Bankable – A person who can qualify for a loan at a commercial lending institution.

Base industry – Also known as “export” or “primary” industries, base industries sell or export their products and services outside the community and bring new dollars into the community, increasing the total dollars that circulate within the community and that are spent on non-base industries.

Benchmarking – Quantifiable measures of economic competitiveness and quality of life that can be collected on a regular basis. They are used to measure a region’s economic status and progress against comparable regions.

Benefits – Refers to the results from using resources related to LED. Benefits can include meeting basic needs (e.g. food, housing or security), increasing resources (e.g. income, assets, skills or savings) and improving social position (e.g. education, status or political power).

Best practice – A method or technique that has consistently shown results superior to those achieved with other means, and that is used as a benchmark.

Bond – A certificate of debt issued by a government or corporation guaranteeing payment of the original investment plus interest by a specified future date.

Brownfield – A commercial or industrial site that has been abandoned or under-utilized and has real or perceived environmental contamination.

Business assistance centre – A one-stop center for streamlining local permitting, licensing, and fee payment processes and facilitating the decision-making processes.

Business climate – Usually referred to as the attitude of a local government toward business but can also suggest the attitudes of the labour force and local business networks (see Business Enabling Environment).

Business enabling environment – A pro-market environment that supports enterprise development. It is an approach that should combine governance with culture. Its approach includes clear decision rules and procedures that are needed in government, such as effective business codes and land-use zones that promote long-term plans rather than politically expedient, short-term decisions. It is an environment where the political environment is safe and not corrupt or exposed to the devastating effects of cronyism, nepotism and corruption. Also, enabling environments have a high ease of business entry and efficient regulation-enforcement.

Business incubator – Entity that nurtures and supports young companies until they become viable, providing them with affordable space, technical and management support, equity and long term debt financing and employment. The three basic objectives in creating an incubator are 1) to spur technology-based development, 2) to diversify the local economy and 3) to assist in community revitalization.

Business Improvement District (BID) – Legally defined entity formed by property and business owners where an assessment or a tax is levied for capital or operating improvements as a means of supplementing city funding.

Business recruitment and attraction – Effort to entice companies to relocate or to set up a new branch plant or operation in a locality including what is often referred to as “smokestack chasing.”

Business retention – Systematic effort designed to keep local companies content at their present locations, which includes helping companies cope with changing economic conditions and internal company problems.

Capacity building – Developing the ability of a community-based neighborhood organization to effectively design economic development strategies through technical assistance, networks, conferences and workshops.

Capital costs – Costs of investment in major physical improvements, infrastructure and equipment, such as buildings, roads and machinery.

Clusters – Sectoral and geographical concentrations of enterprises that produce and sell a range of related or complementary products and, thus, face common challenges and opportunities. These concentrations give rise to external economies such as emergence of specialized suppliers of raw materials and components or growth of a pool of

sector-specific skills and can foster development of specialized services in technical, managerial and financial matters.

Comparative advantage – Term used when comparing economies of regions. It is the economic advantage gained by one area over another due to the fact that it can produce a particular product more efficiently. More efficient production of one good means there is a higher opportunity cost to produce another.

Competitive niche – A market in which a business or economic region finds itself to perform well.

Economic base – A method of classifying all productive activity into two categories: basic industries which produce and sell goods that bring in new income from outside the area and service industries which produce and sell goods that simply circulate exiting income in the area.

Economic base analysis – A comprehensive study of a locality's economy, focusing on the importance of exports. It should include an economic history, data on existing industries, trends and forecasts of growth in wages and employment.

Enterprise zones – Designated geographic areas that are eligible for special treatment and incentives to attract private investment.

Entrepreneurial training – Programs that provide guidance and instruction on business basics such as accounting and financing to ensure that new businesses improve their chances of success.

Equal opportunity – A system or program that gives women and men the same opportunities (e.g. for jobs or participation in workshops). For example, if a training program is offered to both men and women, they have equal opportunity to learn new skills.

Equal opportunity versus equal benefits – Takes into account that women and men have different roles and access to resources, meaning some groups of women or men may not be able to benefit from the same opportunities. For example, if a training program is offered at a time that interferes with women's childcare responsibilities, women may not be able to attend. Note that a focus on equal benefits recognizes the different situations of women and men, and develops strategies to ensure that both sexes can benefit from a resource. The key is to find out the gender-based barriers to full participation for each specific group of women and men. LED projects must be designed with provisions in place to overcome the barriers for each group.

Fair market value – The estimated worth of a property which reflects the price at which the property could be immediately sold in a competitive market.

Flex space (flexible use space) – Space that can be used for one or a combination of different types of production, e.g. manufacturing, office, service or distribution.

Foreign direct investment (FDI) – Investment that is attracted from abroad. It can mean either greenfield investment (i.e. investment in building new facilities on hitherto undeveloped sites) or portfolio investment (i.e. buying into an established business). Inward investment means nearly the same. However it could include investment from within your country as well as from abroad.

Front-end costs – Capital required at the early stages of a development project, such as the cost of land, plans and working drawings, construction materials and labour.

Gap financing – A loan required by a developer to bridge the gap, i.e. to make up a deficiency between the amount of mortgage loan due on project completion and the expenses incurred during construction.

Gender – Refers to what society perceives as being male or female from a socio-economic perspective with regard to men and women's roles, division of responsibility, the value attached to the work they each do, how they should behave and what constitutes being masculine or feminine in any given context. These values are culturally based, can change over time, and often determine women and men's respective access to opportunities in life.

Gender equality – Refers to equality between women and men in terms of opportunities, rights, benefits, responsibilities, security, and access to and control over resources. Gender equality does not mean that women and men have to become the same, but that their access to rights, and their responsibilities and opportunities are not dependent on whether they are born male or female. In the context of LED, it means that participation in governance and the economy and access to services are not negatively influenced by the fact that one is male or female.

Green jobs – Jobs which are sustained by economic activities that are more environmentally sustainable than the conventional alternative and which also offer working conditions that meet accepted standards of decent work.

Greenfields – Refers to factories and offices being built on land that has hitherto not been developed. Also greenfield investments also imply that facilities are designed and built for investors, rather than the investor buying a facility already built.

Growth node – A physical location where industry and/or commercial development is deliberately directed; done either

to reduce growth pressures in elsewhere in the city or to redistribute growth within a city.

Hard costs – Bricks and mortar costs of development, including contractor's fee and overhead.

Hard infrastructure – Includes all the tangible physical assets that contribute to the economy of a city. For example, transport infrastructure (roads, railways, ports, airports), industrial and commercial buildings, water, waste disposal, energy, telecommunications etc. Alternatively "soft" infrastructure refers to all of the institutions which are required to maintain the economic health, and cultural and social standards of a municipality, and typically include the education system, the health care system, the system of government, and law enforcement, as well as emergency services.

Holding costs – The costs of owning land or property during the pre-development stages of a project.

Incentives – Benefits offered to firms, usually as part of an industrial attraction strategy. May include tax abatements and credits, low interest loans, infrastructure improvements, job training and land grants.

Indicators – Measures of performance that provide operational definition to the multidimensional components of LED objectives and assist with communication.

Industrial development bonds – These bonds are used to finance acquisition, construction, expansion or renovation of manufacturing facilities and the purchase of machinery and equipment depending upon state law. IDB financing is subject to state and local laws and federal income tax laws and regulations if the interest on the bonds is expected to be exempt from federal income taxation.

Industrial park – A specified area of land zoned for industrial use that has specified covenants and restrictions to be followed by all occupants.

Industrial revenue bonds – Bonds that provide lower-cost financing for real property improvements or the purchase or construction of buildings, facilities or equipment.

Industry clusters – Geographic concentrations of related businesses – complementary or competing. Municipalities identify clusters as targeted businesses for future planning and marketing efforts. There are two types: 1) buyer-supplier clusters and 2) shared resources clusters.

Investor networks – Investor networks match up potential investors (either anonymous "angel" investors or known investors) with start-up firms needing capital.

Location quotient – The percentage of total local employment in a particular industry compared to the percentage of total national employment in that same industry.

Localization economies – The condition where costs decrease for firms in a particular industry as total industry output increases. The lower costs come as a result of the firms in an industry locating close to each other.

Microenterprise – A business that is "smaller-than-small." Operated by a person on a full- or part-time basis, usually out of a home, e.g. carpenters, day care providers, crafts persons and caterers.

Multiplier effect – Describes the process of dollar or job generation as a result of a new or migrating business or project, or of a local business expanding production (to exports). The multiplier effect accounts for additional local income generated by local spending of money that came from outside a community.

One-stop business service centres – Facilities where entrepreneurs can go to obtain advice and support to help them establish and/or expand their business. Sometimes these centers also issue licenses and permits needed by businesses to start-up, operate or expand. These centers improve the local business environment by reducing the number of separate agencies and offices a business may need to approach for advice or to apply for various licenses and permits. They save public and private time and improve efficiency as a result.

Red flag issues – Urgent situations in a company which require immediate attention.

Resource audit – A process for inventorying potential resources or competencies anticipated to be available in a region during the planning period. Used in selecting strategies and strategic initiatives that are achievable.

Revolving Loan Fund (RLF) – A pool of public and private sector funds in which the money is recycled to make successive loans to businesses. Loans made by an RLF are repaid with interest and the payments are returned to replenish the lending pool so new loans can be made. The funds are thus recycled and the RLF grows as each generation of borrowers adds to the pool.

Risk management – Strategically protecting against losses (financial) for any venture that has an uncertain outcome.

Seed capital – Equity money supplies to help a company get off the ground. The money is almost always supplied by an entrepreneur and his/her family, friends and relatives. Used to help attract (leverage) other investment.

Sex – Refers to the biological characteristics that define someone as being female or male.

Shift-Share Analysis – A method used to examine a local area's basic industries in terms of their growth and decline relative to national or regional trends.

Site selection – The process by which firms find new locations for business facilities or expansions of their operations.

Site selection assistance – Economic development organizations or local governments provide new, expanding and relocating businesses with assistance for locating the sites that fit the needs of their facility. These services include the provision of information on sites and organizing visitation programs. Site selection factor ratings depend on the type of facility, the company size, product and industry, and thus the kind of physical infrastructure and workforce skills that are necessary.

Smart growth – The efficient mixed use of all available assets.

Soft costs – Development costs for various services, including architecture and engineering fees, construction interest, loan fees, insurance fees, legal and accounting fees and permit fees.

Soft debt – Capital provided in the form of a loan for which payment is contingent on available cash flow.

Stakeholders – Individuals and groups that have an interest in, are involved with, or are affected by, a policy or plan devised by government, community or business. In the context of participatory decision-making, this word is applied to groups, organisations (formal and informal, public and private) and individuals that have an important "stake" in the process of LED and governance, regardless of what that stake might be.

Subsidy – Funds generally provided by government or economic development organizations in the form of a grant, which reduce the cost of development or support ongoing operations.

Sustainable development – Development that does not destroy or eventually deplete a location's natural resources. Sustainable development helps ensure a better, healthier living environment that contributes to the quality of life in a given area.

SWOT analysis – A tool used in the economic development planning process to assess a community competitiveness. Includes a review of Strengths and Weaknesses, factors from within a community that can be changed, as well as Opportunities and Threats, factors from outside the community that cannot be changed.

Tax incentives – The use of various tax relief measures such as tax exemptions, tax credits or tax abatements to recruit and attract businesses to a community or help local businesses expand.

Under-employed – Includes all persons whose skills, education or training qualified them for a higher skilled or better-paying job than they presently hold. It also includes persons only able to find part-time rather than full-time work in their fields.

Venture capital – An investment made with a possibility of very substantial returns on the investment within a short period. It is usually invested in dynamic, growing and developing enterprises, not in start-ups. The capital is subject to considerable risk and uncertainty.

Workforce development – Refers to community efforts to train individuals for specific jobs or industries. The goal of workforce training programs is to improve the quality and skill sets of individuals, to place them in jobs, and help businesses find an employee base in line with their needs. A good workforce training program, therefore, serves two types of customers: individuals and businesses.

Zoning – Geographic designations of land by categories of use: residential, heavy and or light manufacturing, commercial, agricultural, institutional, etc.

Zoning ordinance – Legislation that maps and designates the various zones and their respective land uses.

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The goal of **Ukraine Municipal Local Economic Development (MLED) Project** is to improve economic opportunities for Ukrainians in a strengthened democracy through inclusive and effective local governments that meet the needs of their citizens and their business communities with support from strengthened enabling institutions. MLED is being implemented from January, 2010 till December, 2014 by the Federation of Canadian Municipalities with the financial support from the Government of Canada.

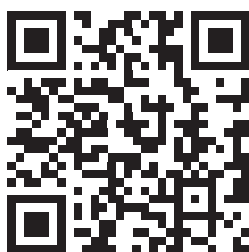
MLED provides technical assistance to improve planning and support for the delivery of services that foster and support economic growth in twelve cities in Lviv and Dnipropetrovsk oblasts of Ukraine.

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LMC is headquartered in British Columbia, Canada. In addition to our substantial Canada based work, we are particularly active in the United States, Eastern Europe, Ukraine, Russia, China, and Southeast Asia.

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