

Local Economic Development

Stage One: Organizing the Effort

Successful local economic development (LED) depends on the collective efforts of the public, private and community sectors. Formal and informal structures and processes should be established to ensure all stakeholders are involved and the planning process is well managed:

- **Establishing a 'Home' for LED within the local government**

'Someone' has to take responsibility for starting a focus on LED in the local area. Often (although not always) this is the local government. Even if the initiator is not the local government, it is crucial to have local government support for the process. In almost all successful city economic development case studies, a responsible person, often in either the Mayor's office or in the office of the Chief Executive Officer (CEO), is initially appointed to take responsibility for LED. (This may expand into a specific unit or department at a later point.) The responsible initiator(s) may spend much of his/her time upfront obtaining a sufficient understanding of the local economy to identify important stakeholders.

- **Selecting a LED Role**

Any organization interested in local economic development must decide on the role it wants to play in the development process. The stance an organization takes will shape the planning process in which it engages and the tools it can ultimately use to initiate economic development.

Organizations have constraints derived from their current or historic roles or set by their charter. It is always difficult for an organization to go beyond its mandate. Therefore, the role definition must precede any attempt to shape the LED environment. There are basically four courses of action open to organizations in taking economic and employment development initiatives: to act as the entrepreneur, coordinator, facilitator, and/or stimulator of development initiatives.

- **Management of the stakeholders**

Stakeholders are individuals, firms and/or organizations in the public, private and not-for-profit sectors that have an interest in and ability to contribute to strategizing and operationalizing. The stakeholder management process recognizes that all stakeholders are important and that some will be able to participate more than others. It must be determined:

- who the key stakeholders are
- what their interests are likely to be
- the best way to involve them in the LED activities

The benefits of involving stakeholders include:

- Stakeholders bring specialist knowledge and different perspectives making the planning process more robust
- They bring professional, financial and physical resources to the table
- They legitimize the process by being involved
- They forestall problems by being engaged in the process
- Business partners are likely to know much more than local government representatives about the true state of the competitive position of the community
- By involving higher tiers of government, strategies are likely to benefit from their support (including financial)
- Local community representatives are likely to be best informed about local problems and opportunities that could be addressed by the LED strategy
- By involving communities, it is more likely that a volunteer effort could be established to support LED implementation programs
- Jobs and economic growth are created in the private sector. Government is usually merely a facilitator in this process.

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Potential stakeholders include:

Public Sector	Private Sector	Community Sector
<ul style="list-style-type: none"> • Local government • State government • Health Authority • Transportation Authority • Institutions of higher learning • Education Board/Authority • Utilities 	<ul style="list-style-type: none"> • Chamber of Commerce • Board of Trade • Business associations • Large corporations • Private developers • News media • Professional associations • Higher learning establishments • Utilities • Town center improvement groups, etc. 	<ul style="list-style-type: none"> • Individuals • Neighborhood groups • Church groups • Youth groups • Environmental groups • Voluntary service groups • Historic societies • Cultural and arts groups • Educational groups • Groups representing minorities

- **Establishment of a Steering Committee**

The Steering Committee should include key stakeholders from all sectors including the local authority. The local authority will usually provide institutional support for this committee. This provides them with a degree of control that may be needed in the early days of establishing the LED strategy and partnerships.

- **Establishment of a group within the local authority to oversee the LED process.**

This group should include people from across the various local authority departments that are likely to have an interest or professional, technical, political or financial responsibility for matters affected by the LED strategy. Membership should be at both Elected Member and at officer levels. There should be terms of reference and a formal reporting system for the group. Transparency and public access to information used or generated by the group is important to its credibility.

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A thorough local economy assessment provides the foundation for successful LED strategy development.

Stage Two: Conducting the Local Economy Assessment

LED Information

To develop a LED strategy, the community must be fully informed about their own town or city, their own region and their national economy. Conducting a local economy assessment involves collecting strategically important information and then analyzing it strategically. Some useful types of information are:

- Demographic information, i.e., information about the people in the community, what they need and what they are capable of.
- Economic information. This information will provide an understanding of the local economy.
- Investment climate information. This will inform on how the local government treats its business community.
- Hard Infrastructure information. This will inform about the status of water, electricity and wastewater provision. The focus should be on economic areas.
- Regional and National information, to gather information on what is happening in other areas that impact on the community

This table shows examples of the types of information that can be collected in each of the categories:

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Demographic	<p>Population :</p> <ul style="list-style-type: none"> ▪ By size, age, growth rate, projected growth rate, household size, population density. This could include a poverty mapping exercise to identify demographic characteristics by sub-districts in the city. <p>Employment :</p> <ul style="list-style-type: none"> ▪ Employees by industrial activity -- compare regionally and nationally, and note changes over time, if possible ▪ Age structure of the employed and the occupation breakdown of employed and unemployed ▪ Structure of employment (full/part-time/male/female) -- compare nationally and over time ▪ Average gross weekly earnings by gender and full- and part-time employment ▪ Unemployment figures, by numbers, age, duration ▪ Numbers and other information on people and activities in the informal sector <p>Education:</p> <ul style="list-style-type: none"> ▪ Numbers and types of schools, numbers of teachers (full-time equivalent) and class sizes ▪ Further and higher education establishments by type and numbers attending. ▪ Educational attainment levels by numbers and types -- compare nationally <p>Training:</p> <ul style="list-style-type: none"> ▪ Numbers and types and age groups of technically qualified individuals and those going through training programs. ▪ An assessment of skill/occupational shortages/oversupply.

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Economic	<ul style="list-style-type: none"> ▪ Numbers and sizes of firms, broken down by sectors numbers of full-time equivalent employees, in time series, if possible ▪ Number and type of recent (e.g., last 10 years) firm closures, by size, sector and date ▪ Number of inward investments, foreign and domestic (both Greenfield and existing companies) by employee size, sector and date ▪ Number of new business startups, by size, sector/activity and longevity ▪ Number of companies that export/to where/ by what sector/company size ▪ Top 50 (or so) companies by size -- employment and/or turnover -- by sector and named ▪ Business tax income ▪ Rental/purchase costs for vacant industrial and service sector units, by time series and size groupings ▪ Vacancy rates of industrial and commercial space by size, location, absorption rates ▪ Port/airport/rail cargo/passenger statistics
Investment Climate Infrastructure	<ul style="list-style-type: none"> ▪ Taxation of businesses ▪ Amount of 'red tape' and the ease of getting through red tape ▪ Existence of supporting business networks, such as Chambers of Commerce. ▪ Local authority economic development support ▪ Access to funding ▪ Assessment of local government capacity to carry out economic development
Hard Infrastructure	<ul style="list-style-type: none"> ▪ Condition of water, electricity and wastewater provision in areas of economic activity ▪ Assessment of provision of land, real estate/office space for economic development activities (including markets) and CBD's
Regional and National	<ul style="list-style-type: none"> ▪ What neighboring cities are doing in terms of their local economies ▪ How neighbors are competing ▪ How they are, or could, collaborate ▪ What is happening at the national level ▪ Opportunities available through the national government ▪ Opportunities and threats presented by regional government

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Stage Three: Developing the LED Strategy

The intent of step three is to achieve an integrated or global approach to LED. There are four strategic approaches. These are strategies that emphasize:

- Locality or physical development strategy
- Business development
- Human resources development
- Community-based development

In most instances, a strategic plan will incorporate different elements of these approaches depending on local need and circumstances. Strategy making involves:

1. Creating a vision

A vision should be developed and agreed on by all stakeholders. The vision should be a description of the stakeholders' preferred economic future for the community. While the vision may not be fully achievable, it does give the community a clear sense of direction. It is on the basis of the vision that goals, objectives, programs and project plans will be developed.

2. Developing goals

Goals point more specifically to the outcomes the community seeks to achieve. Goals are much more descriptive and concrete than a vision statement and should be directly related to the findings from the local economy assessment.

3. Developing specific objectives

Objectives are even more specific. They should be time bound and measurable. The aim is to leverage strengths, overcome weaknesses, exploit opportunities and deal with threats identified during the local economy assessment.

4. Developing programs and projects to achieve the objective

Programs and projects are the specific actions the community will take to achieve the vision, goals and objectives. Attention should be given to identifying a broad base of projects, some of which should provide 'quick-wins' for the strategy. These projects should include agreed actions for all stakeholders (not just the local authority).

5. Documenting the strategy

The strategy should be documented and made accessible to all members of the community. Feedback on the LED strategy should be encouraged and taken into account. In communities where stakeholder participation has been limited, the strategy document could be developed in draft format and used as the basis for further consultation before finalization of the LED strategy.

Stage Four: Implementing the LED Strategy

Building Action Plans

Strategy implementation is driven by action plans. Key issues to consider here are:

- Who takes responsibility for each program or project?
- What are the targets in terms of outputs, timing and funding?
- What steps need to be taken to achieve the targets?
- What will be the reporting structures (including to stakeholders)?
- What are the performance monitoring and evaluation systems and processes?

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- What has to happen to ensure they are in place and used?
- What are the budgetary and human resource requirements for the sustained delivery of the project or program?

Specifying project details

Project details must be specific and assigned. Some key issues include:

- Conducting detailed feasibility studies
- Preparing business plan
- Developing, monitoring and evaluating program

Overall development plan preparation and implementation

- Preparing project plan implementation schedule
- Developing an overall development program
- Targeting and marketing community assets
- Marketing financial needs

Most broad-based, comprehensive LED strategies are delivered through public/private sector partnerships that are strongly driven or led by the local authority. The private sector is often keen to manage initiatives aimed at improving the vitality and viability of town centers or to be involved with business development initiatives. Community groups may seek to lead initiatives to improve the health or housing conditions of a target group of disadvantaged individuals.

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Stage Five: Reviewing the LED Strategy

Reviewing an economic development strategy is normally done on an annual basis, usually in conjunction with the local authority's financial planning cycle. Both the local authority group and the steering committee should be involved in the review process.

Issues include:

- Is the SWOT analysis still valid or have circumstances changed?
- Is there more information at hand that changes the view of the issues?
- Are changes required in the vision, goals or objectives to reflect changing circumstances?
- Are projects achieving what was hoped they would achieve?
- If not, what should be done?
- Are the performance indicators being met?
- If not, why not?
- What changes need to be made?
- Should the indicators be changed?
- Should there be more action on projects?
- Should the projects be changed?

Even though Local Economic Development is a relatively new discipline, there is no shortage of examples of bad practice that should be highlighted to remind one of the potential for wasteful mistakes. Most of the mistakes can be directly attributed to just a few causes:

- Politics (including exclusion of key interest groups, inappropriate zoning and so on);
- Lack of strategic thought (resulting in inappropriate strategies);
- Inadequate research, monitoring and evaluation (resulting in inappropriate strategies and initiatives);
- Grant chasing;
- Following the latest fad (blindly).

The LED strategy should change continuously to respond to the competitive environment.