



LOCAL ECONOMIC DEVELOPMENT IN PRACTICE

UNHABITAT

epi ecoplan international, inc.



Local Economic Development in Practice - A Toolkit for LED Practitioners

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LOCAL ECONOMIC DEVELOPMENT IN PRACTICE

Local Economic Development (LED) is development by and for local people. A good LED process:

- **Is Participatory and Inclusive** – Public, private, civil society, and marginalized groups work together to develop locally based solutions.
- **Has Local Leadership** – Development strategies are developed at the local level (e.g., district, etc.), city or region itself, not imposed from higher levels of government or donors.
- **Is Values-based** – The values of local people (i.e. what is important to them) drive the process and the solutions.

LED can lead to economic solutions that ‘fit’ the local areas – that is, that build on local assets and strengths, involve local people and build capacity, and have greater buy in from the community (a key component to ongoing viability of the project).

While LED has been around for many years, it is building momentum as local areas look to drive their own economic development, and find solutions that make sense where they live.

This ‘workbook’ includes 5 primers, or tools, to help jumpstart LED ideas in your community. Many comprehensive resources exist on LED processes, including *Promoting Local Economic Development through Strategic Planning*¹ (available for free online). The 5 tools included here are intended to supplement these existing resources by providing more **targeted and technical information** on five specific LED topics. The tools can be used by anyone with an interest in breaking short term crisis planning cycles or developing a more vibrant, economically robust city – from city planners and donor agencies, to local business owners and community members.

1 UN-HABITAT and EcoPlan International, 2005.
(<http://www.unhabitat.org/pmss/listItemDetails.aspx?publicationID=1922>)



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An economic situation assessment provides you with the information you will need to make strategic decisions that will direct your LED efforts. This tool gives hints and tips to develop a useful assessment, even if you are dealing with limited time, money and resources.

TOOL 2: YOUTH IN LED Page 25

This tool provides practical methods and tips for getting youth involved in local economic development (LED), based on the two key ideas: 1) youth know best what will help them succeed and 2) whether you know it or not, there is likely already a wealth of youth-focused economic activity to build upon.

TOOL 3: FOCUSING ON SECTORS. Page 39

Cities may have natural advantages in one or more sectors due to their workforce, location, natural resources or history. Understanding and building on these advantages can be a key LED strategy.

TOOL 4: GOOD IDEAS – WHAT’S ALREADY WORKING Page 59

Around the world, cities are constantly exploring innovative ideas for LED. Sometimes an inspiring idea from one city can be modified and adapted to other contexts with great success.

TOOL 5: ECONOMIC MULTIPLIERS Page 75

Cities can use economic multipliers as a tool to predict how an investment will affect their local economy. They can be used as part of a formal economic development study, or as a quick estimate to help a community group decide whether to support a proposal in their area.



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LED *in* PRACTICE

TOOL
№ 1

CONDUCTING A BASIC SITUATION ASSESSMENT

TOOL
1

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**This is part of a
5-part 'Toolkit'
on Local Economic
Development.
All tools can be
downloaded from
the UN-HABITAT
website.**

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Before a local economic development (LED) plan can be charted, it is first necessary to gain a thorough understanding of the local context and dynamics of the local economy. A economic situation assessment provides you with the information you will need to make strategic decisions that will direct your LED efforts, and a baseline against which to compare progress.

Conducting a situation assessment will help identify the following:

- How money comes into (and leaves) the local economy
- What factors are holding back the local economy
- Economic sectors or areas that are already strong in the region and could be improved upon
- Assets that might be underused
- The competitive advantages of the area

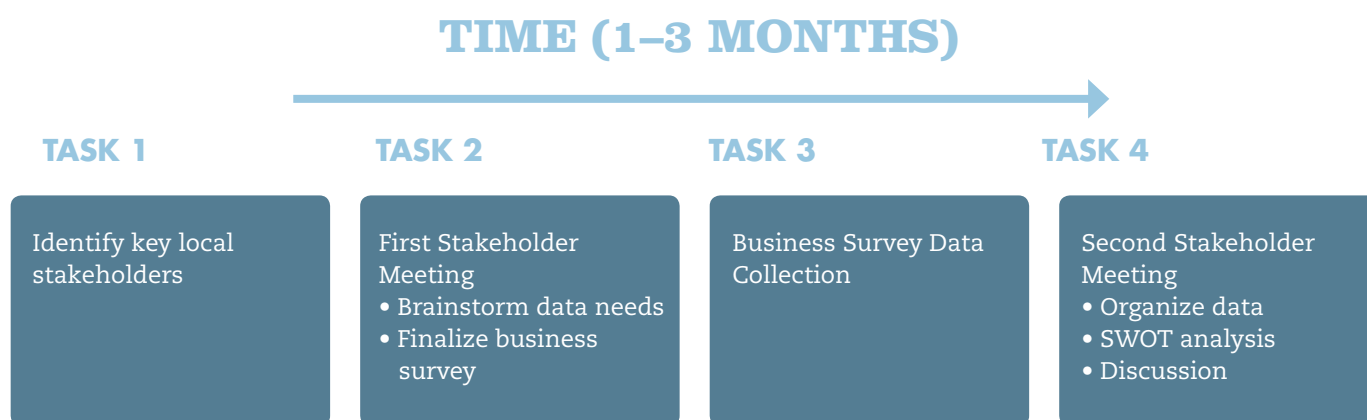
There are many excellent existing guides for conducting thorough situation assessments:

- **Promoting Local Economic Development through Strategic Planning, Volume 2. UN-HABITAT. 2005**
- **Understanding Your Local Economy: A Resource Guide for Cities. Cities Alliance. 2007**
- **Local Economic Development: A Primer. World Bank. 2006.**

Standard situation assessments such as these aim to compile a large quantity of data that may be analyzed by LED experts or officials.

This basic situation assessment tool is meant to supplement these resources by recognizing that many jurisdictions don't have reliable or recent data available and/or may lack the time and money to complete a full situation assessment.

This tool provides a simple process for conducting a basic situation assessment that, in the absence of other data sources, relies heavily on the input and opinions of those most familiar with the economy of the area – local businesspeople, workers, government and academics. The basic process is shown below.



At a minimum it requires 1.5 days of stakeholder time, plus some administrative effort to distribute and collect a business survey and search for existing documents.

GETTING STARTED

TASK 1: IDENTIFY KEY LOCAL STAKEHOLDERS

Time required: 1-3 weeks

Resources required: Staff time

Identify a group of stakeholders that can help you assess the current local economic situation. This should include individuals who might have access to existing data on the local situation (government, academics, etc.) or those who have local knowledge or economic development experience. Income and occupational diversity will greatly benefit the output of the stakeholder group as well. The ideal size is 10-15 people.

Here are some potential members of an effective stakeholder group:

- **Local business leaders and Chamber of Commerce**
- **Elected officials**
- **Government statisticians**
- **Local planners**
- **Representatives of civil society organizations or labour unions**
- **Representatives from the informal sector**
- **Academics from fields such as economics, local history, politics, sociology**
- **Youth or minority representatives**



Photo: williamcho, flickr.com

TIPS FOR GETTING STAKEHOLDERS ON-BOARD

Remember that stakeholders, particularly local leaders, are busy people. Consider each person's potential motivations for involvement and what they could get out of it. This could be different for each stakeholder. Is it that they care about the local area's economic development? Do they want to improve their relationships with government? Network with other leaders? Tailor your request to each participant and make it clear what the benefits of involvement would be, and the scope of involvement.



Photo: HannahPethen, flickr.com

TASK 2: FIRST STAKEHOLDER MEETING - DATA PRIORITIZATION AND PLANNING

Time required: Half-day discussion

Resources required: Facilitator or leader, flip charts, note taker

In this initial meeting, the stakeholder group will:

- a) Be introduced to the project, the purpose, and the process.
- b) Prioritize a short list of data points that would be most useful for understanding the local economy. The leader or facilitator should ask stakeholders which data points they would most like to have. A sample list of potential data points is included in the Appendix. Keep in mind that not all data points will be useful in the local situation — the idea is to pick the data points that would be most useful for making LED decisions.
- c) Look through the list that stakeholders created from Step b) and determine where each piece of data could come from, and if stakeholders have access to any of the data. Prioritize those that are relatively easy or inexpensive to collect. Assign one or more people to collect each piece (likely a staff person).

TIP

In rapidly developing cities, it is notoriously difficult to gather accurate and reliable data for a city's economic development. Consider using estimation methods, such as deriving population from high-quality aerial images and population density calculations, or by assessing school registration numbers. You may also use national estimates on the informal economy (% of GDP or % of employment) to estimate measures of the local informal economy. Good sources of national level data include your national statistics agency, the Economist Intelligence Unit, and the World Bank.

d) Go over the sample business survey shown below, and:

- Refine questions, depending on what information is still needed (for example, if official data is not available). You may also wish to review other LED guides for sample surveys with additional questions.
- Determine who the business survey will be distributed to and how it will be collected. The following are some tips on distribution and collection.
 - Designate a staff person or department responsible for distributing and collecting the survey.
 - Verbal surveys have higher uptake than those on paper, but respondents might not be as honest.
 - Remember that respondents might be worried that this information could be used against them (for tax purposes, for example). Make sure you address this in the survey.
 - Consider an anonymous survey if the above issue cannot be resolved.
 - Make concerted efforts to gather responses from small business owners and those involved in the informal economy as well as businesses from a variety of sectors and industries.

SAMPLE BUSINESS SURVEY

Background: CITY NAME is developing a Local Economic Development strategy for our region. This survey will be a key method of gathering feedback from local businesses to understand a) what the current economic situation is in the city and b) what could be done to improve that situation and make it better for local businesses.

Your information will only be used in an aggregated form, and the information about your business will be used for the economic situation assessment and nothing else. This will not be connected to tax collection or business registration or any other government process. We encourage you to be truthful in your answers, there will be no repercussions for anything in this survey – it is purely for information gathering purposes.

If you have any questions about current local economic development efforts, or would like to be involved in the strategy-making process, please contact us.

Please return the completed survey to _____ (NAME) _____ or email it to _____ (EMAIL ADDRESS) _____ by _____ (DATE) _____.

QUESTION 1: BUSINESS PROFILE**Question 1A: What sector are you in?**

- | | |
|--|---|
| <input type="checkbox"/> Agriculture | <input type="checkbox"/> Manufacturing |
| <input type="checkbox"/> Entertainment and leisure | <input type="checkbox"/> Technology |
| <input type="checkbox"/> Food and beverage | <input type="checkbox"/> Retail and wholesale |
| <input type="checkbox"/> Forestry or resource extraction | <input type="checkbox"/> Other: _____ |
| <input type="checkbox"/> Professional services | |

Question 1B: How many full-time equivalent employees do you have? (For example, if you had two employees who each worked 1/2 time, that would be one full-time equivalent employee.)

Question 1C: What is the average education level of your employees:

- ☐ Elementary School
- ☐ High School
- ☐ University undergraduate degree
- ☐ University graduate degree
- ☐ Skilled trades

Question 1D: in the past two years, would you say business has gotten

- ☐ Much better
- ☐ A bit better
- ☐ No change
- ☐ A bit worse
- ☐ Much worse
- ☐ Why? _____

QUESTION 2: SUPPLY CHAIN

Question 2A: What are your main inputs and where are they sourced from?

Question 2B: If you are in extraction, processing, or manufacturing sectors, where do your products sell or ship to (local, national, abroad)? Are they processed further? Do you know the end market (local, national, abroad)?

Question 2C: If you are in the service sector, who (generally) are your clients? (For example, households, engineering firms, government.)

QUESTION 3: BARRIERS TO GROWTH

In terms of these factors, how does our city perform:

Barriers	5	4	3	2	1	Comments and reasons behind high or low scores (quality? availability? cost? etc.)
Land/serviced business sites						
Electricity						
Water						
Internet						
Phone						
Crime/Insecurity						
Health						
Workforce skills and quality						
Workforce availability						
Personal transportation infrastructure						
Freight transportation infrastructure						
Access to credit						
Business startup costs and process						
Local government regulation						
Local government corruption						
Local government efficiency						
Local government fairness (equal treatment)						
Taxes and operating fees						
Quality of life						
Business environment						

5 Very well - This factor is an asset when doing business in this city **4** This factor provides some advantages but could be better **3 Average** - This factor is neither a barrier to doing business nor an asset **2** This factor is a minor limiting factor to business potential **1 Very Poorly** - Severely limits business potential

QUESTION 4:

Are there any business resources, facilities, or networks that you have taken advantage of to start or run your business (for example, Chamber of Commerce, entrepreneur support groups)?

QUESTION 5:

What are three things that local administration should do in the next 3-5 years to accelerate economic development in your city?

TASK 3: DATA COLLECTION

Time required: 1-3 months

Resources required: Staff time to distribute and collect surveys and gather other data

In this data collection phase, the surveys are distributed and collected, and other pieces of data that were identified by the stakeholders are collected.

Once the surveys are collected, a staff person should compile the surveys and prepare a report for distribution to the stakeholders before the second stakeholder meeting. Quantitative questions from the survey should be presented as averages, and qualitative answers can be compiled and themes highlighted. Individual surveys should be included in an appendix.

Similarly, data from other sources should be compiled in such a way that it is manageable for stakeholders to gain an understanding of the materials in a short period of time.



Photo: Alex Graves, flickr.com

TASK 4: SECOND STAKEHOLDER MEETING

Time required: One day of discussions

Resources required: Facilitator or leader, multiple flip charts, compiled business survey, existing data

In this phase of the process, you will build the situation assessment of the local economy based on the knowledge and opinions of the local experts in your stakeholder group, supplemented with information from the business survey and any additional data that was found in the process.

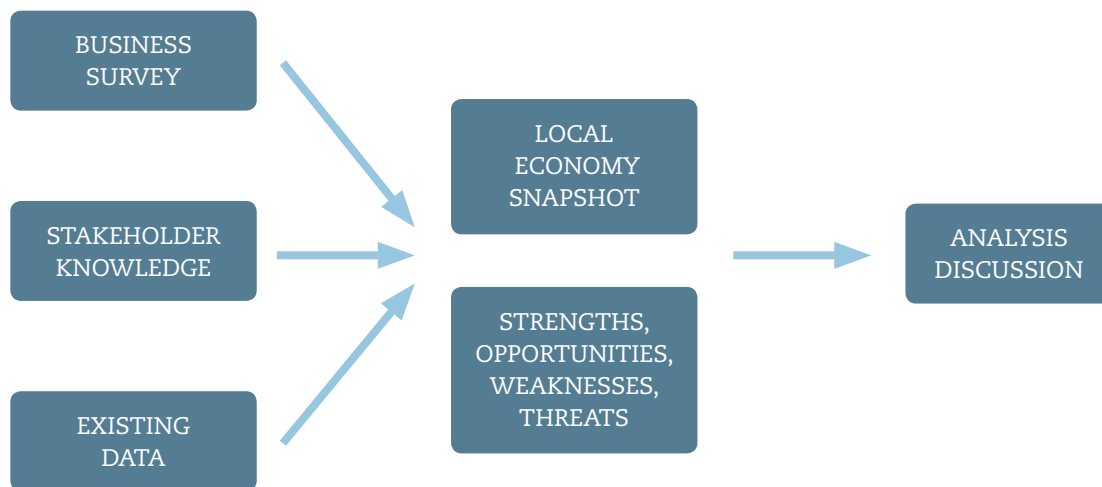
This will be done through the creation of two documents:

1. A 'SWOT' analysis (Strengths, Weaknesses, Opportunities Threats') (Task 4a)

2. A Local Economy Snapshot (Task 4b)

The final step is a discussion to distill out the top areas for improvement and areas of opportunity (Task 4c).

At the end of this process you will have a simplified situation assessment of the local economy and some ideas for actions and next steps. Once the assessment is completed, staff members should write up the information into a usable report format.



Sample agenda for Stakeholder meeting:

- 1 hour** Review and discuss business surveys
- 1 hour** Review and discuss other data
- 2 hours** Conduct SWOT analysis (Task 4a)
- 1-2 hours** Create a Local Economy Map (Task 4b)
- 1 hour** Go through the analysis discussion questions (Task 4c)

TASK 4A: STRENGTHS, OPPORTUNITIES, WEAKNESSES, THREATS (SWOT)

The group leader or facilitator should guide the stakeholder group through the questions in the chart below. Remember to incorporate information from the business survey and other data as needed.

Strengths	Opportunities
<ul style="list-style-type: none"> • What is special and different in your city when compared with other cities, that you would like to remain unchanged? • What are the local area's primary economic opportunities? • What are the local area's strongest assets or resources? (such as a skilled work force, beautiful waterfront, or strong manufacturing base) • What opportunities exist to maximize the strength of these assets or resources? • What resources could, with support, promotion, or investment, become strengths? • Does your city/region have raw materials or resources (e.g. timber, agriculture, tourism resources) that may be improved or further processed and sold at a higher price? 	<ul style="list-style-type: none"> • What opportunities exist to maximize, enhance, or support existing strengths that have been identified? • What opportunities external to the local area can be identified? • Are there areas of economic interest shared with nearby cities and opportunities to collaborate? • What regional or national trends could be opportunities for local economic development (for example, social, demographic, political, policy-related, or economic trends)
Weaknesses	Threats
<ul style="list-style-type: none"> • What are the local area's biggest weaknesses or problems (think back to what triggered the planning process; what was identified through the business surveys)? • What are the liabilities or barriers that can limit LED? • What problems are faced by businesses in dealing with local government and other tiers of government? • What are the needs and constraints that restrict the accomplishment of business and economic development initiatives (e.g. need for retraining, poor management experience)? 	<ul style="list-style-type: none"> • What threatens identified strengths? • What threatens the viability of identified opportunities? • What weaknesses threaten to become worse, and under what circumstances? • Are any competitors emerging that threaten local industry? What are their advantages? • What regional and national trends could become threats to local economic development? (For example, social, demographic, political, policy-related, or economic trends) • Are there natural hazards that may impact your city? Can steps be made towards prevention or mitigation? • Are there environmental factors (e.g. pollution) that negatively impact community health, lowering quality of life, attractiveness of the area, and worker productivity?

In addition to the prompt questions, you may find the following categories useful discussion points to help brainstorm strengths, weaknesses, opportunities, and threats.

<ul style="list-style-type: none"> • Access to credit and banking • Basic services: electricity, water, waste, sanitation • Business sites • Crime/ personal safety • Cultural amenities • Education • Employment levels and seasonality • Enforcement of regulations • Environment • Geographic location 	<ul style="list-style-type: none"> • Good governance – public involvement in policy-making and government responsiveness to local needs • Government capacity, efficiency, fairness, corruption • Healthcare • Housing • Incomes • Inequality 	<ul style="list-style-type: none"> • Inter-ethnic and inter-cultural issues • Labour force • Land • Natural endowments • Resources • Taxes and fees • Transportation – personal and freight • Women and gender issues
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TASK 4B: LOCAL ECONOMY SNAPSHOT

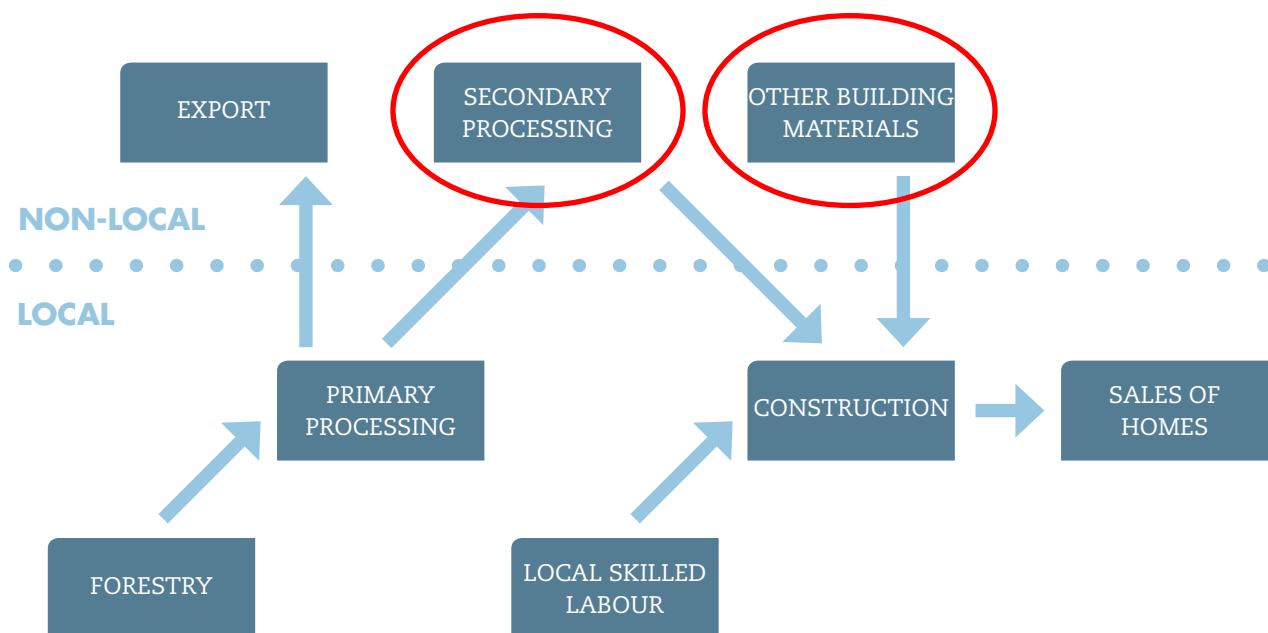
While the SWOT format is great for identifying issues and opportunities, it does not capture basic baseline data about the community, or show how goods and services flow through the economy. This information can be captured in a Local Economy Snapshot. There will be some areas of overlap between the two.

Similar to the SWOT task, use stakeholder knowledge as well as information from the business survey and other data to develop the Local Economy Snapshot.

The information contained in the Local Economy Snapshot will vary depending on what data points were identified as important in Task 2b and what questions were asked on the business survey. A *sample* Snapshot is shown below.

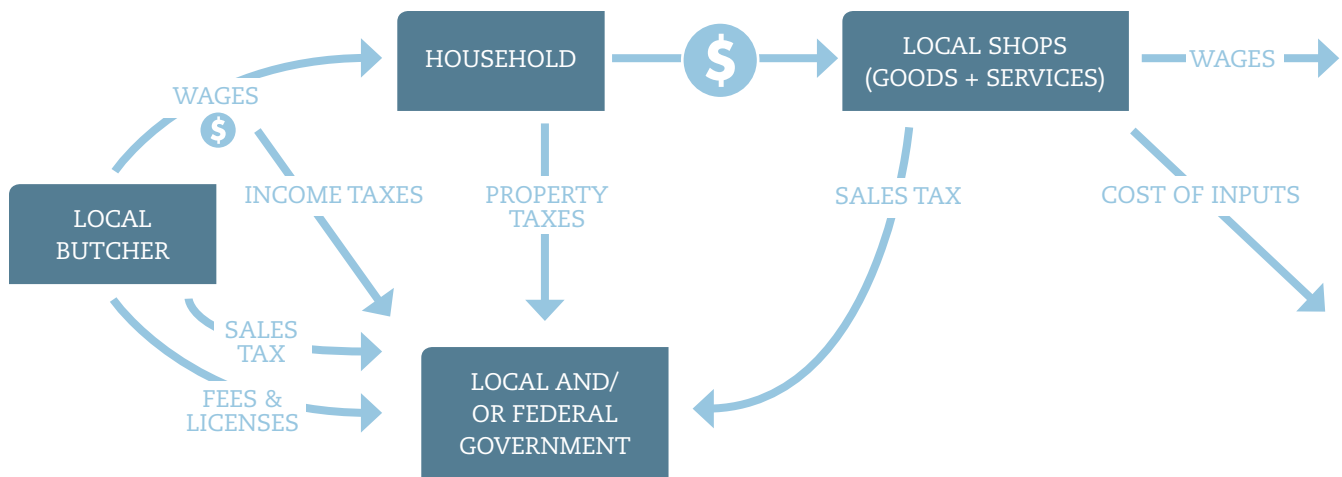
- **Productivity and sectors of city economy**
Total city-level GDP and distribution among sectors, trends in city-wide GDP, sectors that are growing or shrinking
- **Business inventory**
Sectors, Types, # of employees, level of education of employees, sales, trends
- **Skills or education gaps**
Mismatched between skills of workers and needs of employers
- **Informal economy**
Size (% of city-level GDP, # people employed), characteristics, trends

- **Labour force**
Population size, profile (age, gender, ethnicity), trends, unemployment and underemployment rates and profiles (including education and skills), income distribution, wages, conditions, trends
- **Historical and comparative perspective**
Trends in economic development over time, past local economic development initiatives (and their results) LED plans and initiatives of neighbouring cities (and their results)
- **Economic maps**
Physically drawing maps showing the flows of money can be a useful exercise for seeing the relationships between actors and the opportunities for LED. A few examples are shown below.
- **Supply chain map**
For major industries and sectors, trace the origins and destinations of the inputs and outputs of local industry. Tracing supply and value chains like this can help identify areas where the local economy is missing a key step or could add more value to products before they leave the local economy. The following example map shows the how the local and non-local economies are linked with regards to forestry and residential construction. The areas circled in red are where there is a possibility to add value at the local level, which could increase local economic development.



- **How does money flow between local businesses, households and the governments?**

The flow of money between government, households and businesses will be slightly different in each location. Do citizens pay sales tax, income tax, property tax, and to whom (local or national governments)? What fees and licenses must businesses pay the government? Does the government give tax reimbursements or other payments to households and businesses? Mapping these interconnections can be useful for understanding the flow of money, and potentially identifying opportunities for efficiencies.



- **How does money enter and leave the local economy?**

Understanding how money comes into and leaves the local economy can be an excellent starting point for generating ideas on how to increase economic development. Tourism, exports, and transfer payments from government are all ways that money can enter the local economy; imports, out-bound tourism, and remittances are ways that it can leave the local economy.

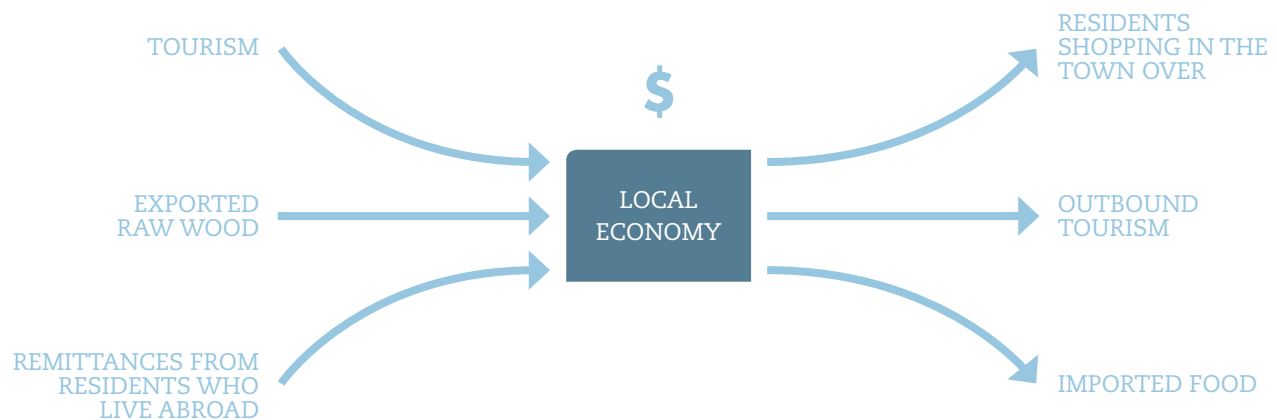
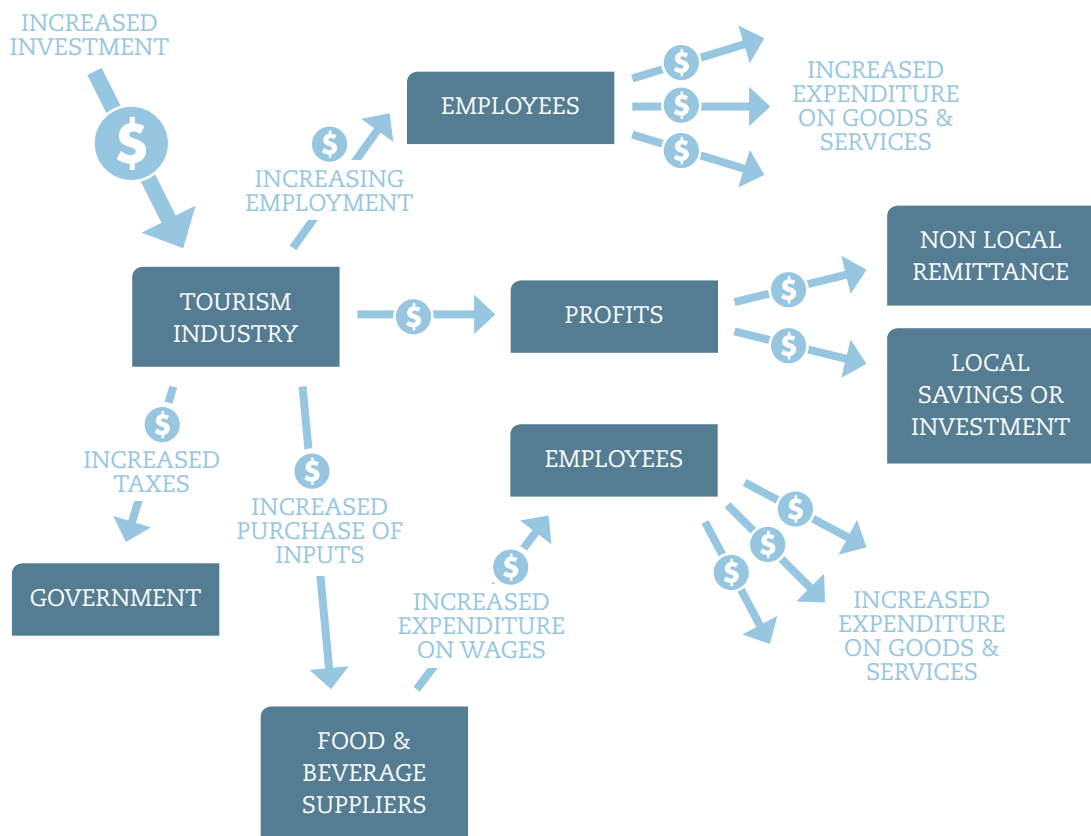




Photo: masterplan, flickr.com

- **How would an investment in an industry or business flow throughout the economy?**
Understanding how money flows from a particular industry into the local economy can be a useful tool for deciding how and where investments should be made. For a more in depth analysis, see **Tool #5** in this series on Multipliers.

SEE
TOOL **5**



TASK 4C: ANALYSIS DISCUSSION – WHAT’S NEXT?

Undoubtedly in the process of conducting the SWOT and Local Economy Snapshot, a variety of themes and opportunities will have arisen. This exercise focuses the discussion and provides a basic prioritization of areas to focus on. The group leader or facilitator should guide a discussion based around the questions below.

Identify	Consider
Top three barriers that are holding the local economic development back	What can be done to remove these barriers? Are there any temporary ways around the barriers?
Top three high-potential sectors in the area	What could be done to support these sectors? What could be done to promote investment in these sectors? See Tool #3 in this series on “Sectors Strategies”.
Top three assets in the community	Are any of them underutilized? For example, are there areas of natural beauty that are not promoted to tourists? What barriers could be removed to promote better utilization of key assets?
Top three opportunities for increasing economic flows into the local economy	Consider the existing ways that money flows inwards – such as tourism – and identify which of these could be increased and how.
Top three opportunities for reducing economic flows out of the local economy	Consider how money leaves the local economy – such as through the purchase of imported goods – and identify how these outflows could be reduced. For example, is it possible to provide goods/services locally or attract businesses that provide these goods/services? See Tool #5 in this series on Economic Multipliers for more ideas.

3 SEE TOOL**5** SEE TOOL

CONCLUSION

The output from this tool is a basic economic situation assessment, along with some ideas for next steps, primarily compiled from the knowledge of local experts and businesses. The situation assessment forms the basis of a solid LED planning process, and can later be used as important baseline data as part of a monitoring and evaluation strategy for LED initiatives.

APPENDIX

The following is a list of data points that would typically be collected in a Situation Assessment for LED planning purposes. The stakeholder-driven process described in this tool is built on the assumption that most of this data is not available in your city or region. Nonetheless, it is useful to read through and identify which data points would be the most useful for decision making around LED, and which points are available.

Category	Potential data points
Business, market and economic	<ul style="list-style-type: none"> • City and region GDP and trends • Summary issues related to the cost of business start-up and operation (permit fees, taxes, regulations, lease rates, labour costs, land costs) • Historical review of the development of the city and local economy • Inventory of businesses and business services by sector, type, size, number of employees, products/services, sales • Estimation of the size and characteristics of the informal, barter, non- legal economy • Listing of the largest employers • Identification of primary markets and linkages for existing producers • Identification of key economic leakages (e.g., residents leave the local area to purchase goods; businesses and plants purchase materials outside area) • Foreign investment and trade statistics • Taxation Policy (e.g., property tax – rates, jurisdictions and boundaries, abatement policy, exemptions) • Taxes, including local, provincial sales, income or business taxes • Cost of business start-up (e.g., summarize typical start-up costs, business permits fees and time requirements, land, taxes, labour costs, lease rates)

Category	Potential data points
Quality of life	<ul style="list-style-type: none"> • Living standards, cost of living • Heritage, culture, recreation, social services and health facilities and resources • Unique local features, atmosphere or identity that influence quality of life, retain local population, and attracts new residents
Demography	<ul style="list-style-type: none"> • Poverty and income levels (e.g., poverty mapping by district or neighbourhood) • Population & household size, growth rates • Population, age and sex distribution and projections • Mobility, including out- and in-migration rates
Household and family	<ul style="list-style-type: none"> • Household size and family structure • Household income
Institutions	<ul style="list-style-type: none"> • Educational institutions by size, programmes, research capabilities • Government resources and services • Business facilities (e.g., management training, technical assistance programmes, business development associations/centers, incubators, convention-trade show) • Non-government institutions and service agencies • programmes and opportunities exist that might help the LED effort
Local knowledge and experience	<ul style="list-style-type: none"> • Level of entrepreneurial spirit • Successful and unsuccessful past local economic development initiatives (e.g., why did failures occur, best practices, business closures, recent business start-ups) • Level of entrepreneurial activity/small business development to assess local area capacity

Category	Potential data points
Labour force statistics and data	<ul style="list-style-type: none"> • (Un)employment rates and numbers by sex, age, occupation • Labour force participation by sex, age, occupation, industry • Labour stability, unionisation, conditions • Labour force by skills classifications, education and training levels • Minimum wage and prevailing wage for various occupations
Gender	<ul style="list-style-type: none"> • Women's issues related to the local economy, (e.g., valuation of non-paid work, access to high-paying jobs) • Job opportunities for women • Women's constraints to entering the job market, level of participation, economic expectations
Financial services	<ul style="list-style-type: none"> • Availability of financial services (e.g., accounting, financial analysis, tax information, land valuation)
Access to financing (credit)	<ul style="list-style-type: none"> • Availability of financing for business development and expansion (sources: government programmes, banks, other lenders, venture capital, local area capital, micro-credit programmes, etc.).
Local government budgets	<ul style="list-style-type: none"> • Revenues from local taxes, user fees, transfer payments, grants
Geographic implications	<ul style="list-style-type: none"> • Geographic location in relation to regional markets, major urban centers, transportation linkages, tourism routes
Applicable data on Buildings and Land Use	<ul style="list-style-type: none"> • Non-residential building inventory (e.g., age, size, availability, lease rates, competitiveness) • Residential building inventory (e.g., availability or vacancy rates, lease rates) • Land inventory (e.g., availability, zoning/use, status)

Category	Potential data points
Infrastructure quality and availability	<ul style="list-style-type: none"> Quality and available capacity of: <ul style="list-style-type: none"> - Communications, telecommunications. - Utility (water, storm, sewer, gas) infrastructure - Energy infrastructure (capacity, reliability, cost) - Waste management systems - Transportation infrastructure (major roads, highways, rail access, ports, airports, bus/truck services, shipping services)
Primary resources	<ul style="list-style-type: none"> Minerals, forests, land, water, air
Resource processing	<ul style="list-style-type: none"> Type, quantity and markets
Aesthetic natural resources	<ul style="list-style-type: none"> Scenic natural resources
Ecosystem services	<ul style="list-style-type: none"> Flood control (e.g., forested hillsides), waste treatment and recycling, pollution absorption and purification, soil management



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LED *in* PRACTICE

TOOL
No 2

YOUTH IN LOCAL ECONOMIC DEVELOPMENT

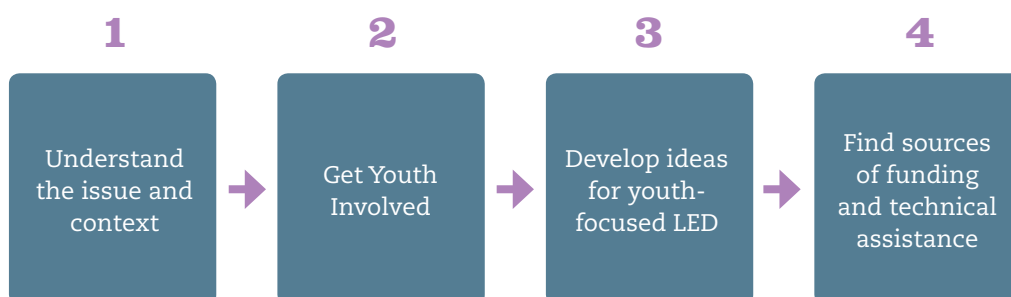
TOOL
2

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This is part of a 5-part 'Toolkit' on Local Economic Development. All tools can be downloaded from the UN-HABITAT website.

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This tool provides practical methods and tips for getting youth involved in local economic development (LED), and is intended to supplement the wealth of information that already exists on ways to engage youth in LED. The process suggested here is shown below.



At the heart of this process are two key ideas. The first is that youth are the ones that know best about what types of LED policies and programmes will work for them. As such, the best way forward is to actually get out there and talk to local youth – ask them for their opinions and get them involved in the LED process. The second is that you should build on what is already happening in your city around youth and LED.

UNDERSTAND THE ISSUES AND CONTEXT

SEE TOOL 1

The goal of this Stage is to understand the current state of youth economic development and employment in your area, along with a review of what programmes already exist. Ideally this will be done as part of a full ‘situation assessment’ of the local economy (See **Tool #1** in this series, for more information), or it can also be done as a standalone piece.

The following checklist shows key pieces of information that will form the basis for a solid understanding of the issues and context.

❑ What organizations and programmes already exist?

What: Whether you know it or not, there are likely already many groups and programmes that are actively working to improve the economic development of youth. These could include non-governmental organizations (NGOs), faith-based groups, literacy or basic education programmes, or even programmes from other departments or levels of government.

Why: It is easier to build on what is already happening than to start fresh. Existing programmes and groups may have already done a significant amount of research on the needs of the local youth population, and have discovered through trial and error what works and doesn’t work locally. It is also often in their best interest to partner or work with city governments, as it can provide legitimization, funding and access to political or other connections.

How: It may be difficult to gain an exhaustive understanding of all existing programmes, but a good start can be had by conducting a thorough internet search, asking other government departments, contacting NGOs who operate in your area, and finding and speaking with local youth in a variety of settings.

❑ Who are the local youth leaders?

Who: Youth leaders may hold formal positions, such as head of a youth-based NGO, or they may be informal community leaders. Youth leaders have the power to influence others,



and likely understand the issues of their peers. They may come from youth organizations and programmes, schools, political groups, faith-based groups etc.

Why: Involving local youth leaders will legitimize your planning process and can lead to better ideas and solutions. Local youth leaders can also help with outreach and communications about economic development programmes for youth, and provide valuable feedback on the successes or challenges of the programmes.

How: Youth leaders may have been identified in the process of understanding youth organizations and programmes (above). They can also be identified by contacting schools or other groups, or by going to places where youth congregate and asking them directly.

❏ **What is the current state of youth employment and unemployment?**

What: Understanding the main drivers of (i.e., reasons for) youth unemployment and the rate and nature of youth unemployment will provide a solid foundation on which to develop youth-focused LED strategies. Some information that could be gathered includes:

- Statistics on the number of youth that are unemployed and underemployed (working shorter hours than they would like, or in jobs that are below their skill level). If possible, find further breakdowns like the gender and education level of unemployed workers, and the breakdown of informal vs. formal employment.
- Political, social or economic drivers that could be contributing to youth unemployment. For example, in post-conflict situations there may be young returnees or former combatants who have no relevant education or training for the job market. Or, a wider economic slump may be hitting young people disproportionately hard.

Why: Credible information on the levels and the drivers of unemployment can help determine which types of programmes and services are most appropriate in a given region. For example, areas with high unemployment of uneducated women might point to the need for programmes specifically targeted at basic education for women along with gender equality measures.

How: In some regions data on unemployment rates and breakdowns may be available from national, state or city statistics departments. Be sure to check their methodology to understand how the informal sector is accounted for. In some cases only country-level unemployment data may be available. This could be coupled with local surveys or estimates from local government or academic experts. Country-level data can be found at sources like the Economist Intelligence Unit or the World Bank.

☐ **What barriers do youth face in gaining appropriate employment?**

What: While the most common reason for youth unemployment is that there simply aren't enough jobs, there are other more subtle factors such as skills mismatches, gender bias, a lack of personal connections or a preference by employers for recent work experience. The barriers will vary from city to city, and even within districts or industries of a city.

Why: The types of barriers that local youth face should guide the choice of intervention. Strategies should be targeted at reducing or eliminating the barriers.

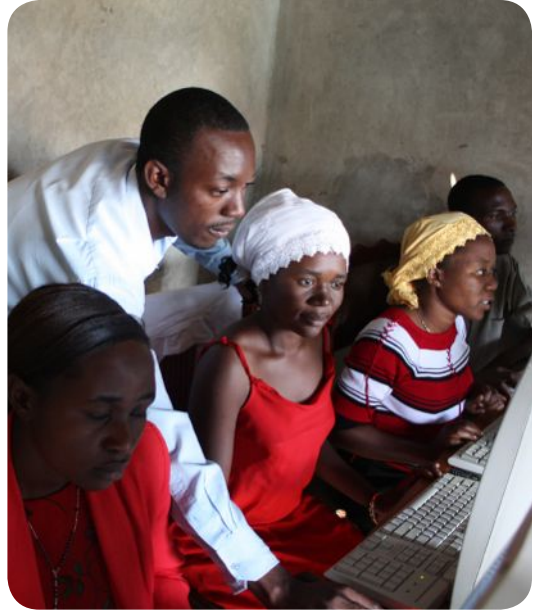


Photo: IICD, flickr.com

How: There may be existing data on barriers to employment, for example, from NGOs or other levels of government agencies. In the absence of existing data, ask youth – they know what barriers they are facing better than anyone. This could be done informally (for example, by going to places where youth congregate or hiring several local youth to ask around) or more formally through a survey. Make sure that you ask both unemployed/underemployed youth, and those that have successfully managed to find employment or create their own job.

A sample of the types of questions that might be asked is shown below.

What is the number one obstacle to youth employment?

- ☐ Lack of experience
- ☐ Wrong skills for the available jobs
- ☐ Lack of basic education (literacy, etc.)
- ☐ Jobs are only given to people with connections
- ☐ Gender, racial, cultural or other bias
- Provide details if possible _____
- ☐ Lack of job-finding skills like resumé writing, interview techniques or finding job postings
- ☐ It takes too much time to find a good job
- ☐ Insufficient number of jobs
- ☐ Other _____

How could barriers be removed? _____



Photo: fairfaxcounty, flickr.com

GET YOUTH INVOLVED IN THE PLANNING PROCESS

“As motivated and inspired citizens, young people are agents of change with the potential for taking a leading role in tackling (...) development challenges for themselves, their families and the society.” – UNECA Issues Paper, “Youth and Economic Development in Africa”, 2006

Youth are key stakeholders in every city, especially now as the proportion of youth is above 50% in many places. Involving youth in the planning process is critical to the success of projects and programmes aimed at youth, and can also have a number of benefits to both youth and adult groups.

Youth and adults may have complementary areas of skills, expertise and resources. For example, youth may lack access to funding, personal or political connections or business experience, while adults may lack the on-the-ground knowledge about what programmes or services would best help the youth population.

Youth participation also has another benefit: they can act as ambassadors back to the youth community, and can help review ideas, spread the word about new programmes, or collect information through surveys or other means.

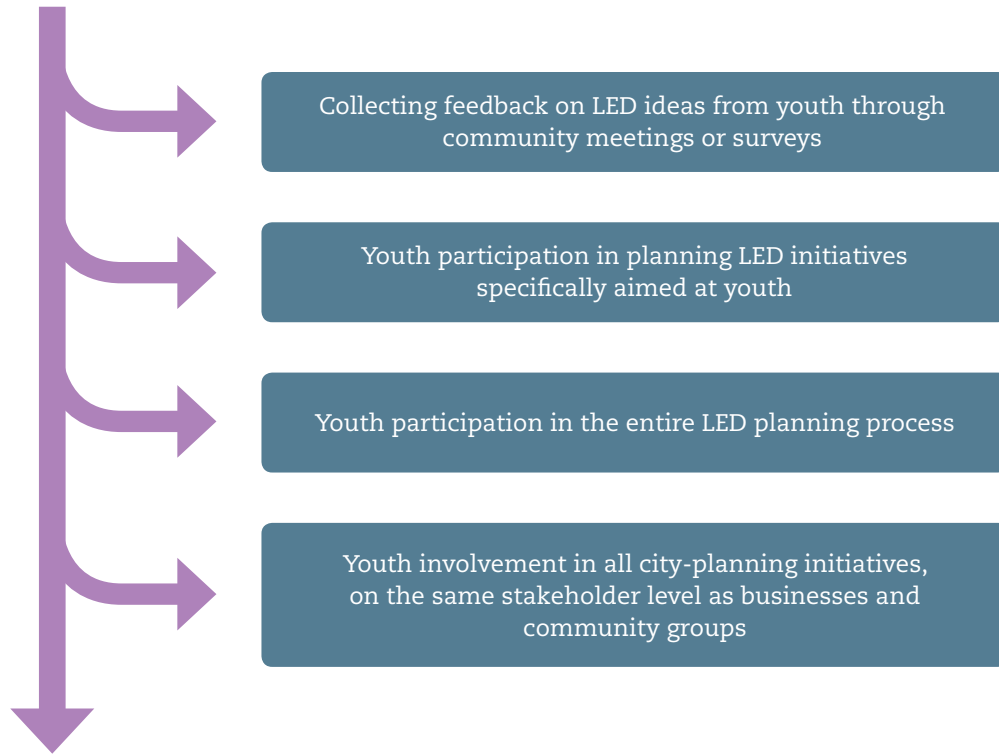
In Stage 1, above, a number of youth leaders were identified – now is the time to reach out to them for participation in the LED process. The level of youth involvement can vary significantly depending on the type of project or process, interest level of youth, and other factors.

INCLUSIVE PLANNING

It is important to ensure that you have a broad spectrum of youth involved to truly understand the needs of this demographic. Representation by groups that are typically under-represented in the youth work force, such as minorities and the poor, can help lead to more inclusive and successful strategies.

It will likely be more difficult to find and reach out to these groups, but your planning process will benefit from the broader representation.

LOW INVOLVEMENT



HIGH INVOLVEMENT

Getting youth involved can seem daunting as they can be difficult to reach, and adults may be wary of working with youth. A good first step is to invite local youth leaders to discuss the local economy with adult leaders. This can be a first step in relationship building, and can test the waters for future participation and engagement.

Discussion topics could include:

- ☐ What kind of work are you and other youth interested in?
- ☐ What are the barriers that youth face in gaining appropriate employment? Which of these are controlled by the city (for example, regulations or policies)?
- ☐ What programmes or services are you already aware of that the city could help support?
- ☐ What other ideas do you have for youth LED in the city, and how can the city help to make them happen?

Consider this...

The opportunity to participate in city planning processes can be a capacity building opportunity for youth. The opportunity to learn and participate in strategic planning, budgeting and marketing, and making valuable connections with city staff and other stakeholders helps build skills and experiences. These benefits can be used to 'sell' the idea of participation to youth leaders.



Photo: IICD, flickr.com

DEVELOP IDEAS FOR YOUTH-FOCUSED LED

At this point, you should have a good idea of what's happening in your city regarding youth and have a youth presence in the LED planning process. It is now time to start compiling ideas for improving local economic development for local youth.

The checklist below provides starting points to generate ideas for youth-focused LED. The items in the checklist could be used as the basis for a planning discussion, hopefully with youth engagement and involvement. The outcome of this process should be a list of ideas which can then be further researched for feasibility, and vetted by youth leaders and other stakeholders.

- ❑ **Start with what's already happening in your city:** Take a look at the list of existing programmes and activities that were generated in Stage 1. Rather than starting from scratch, consider how you can build on this momentum, perhaps by providing funding or technical support, space to operate or connections with other leaders. Ask the organizations and programme directors to provide projections of the effects on youth economic development if they were to scale up.
- ❑ **Consider what tools and assets cities have:** The following is a list of tools and assets that are commonly within a city's control and could be selectively used to promote youth-focused LED.
 - **Financing and funding:** Cities may have better access to financing than youth and could provide funding for existing or new youth programmes.
 - **Public land and office space:** Cities could provide office space for youth groups, or land for projects at reduced rent.
 - **Facilitation:** Youth programmes can benefit from the linkages and networking opportunities that cities can provide, for example, with industry or academic institutions.
 - **Lobbying:** Cities can support local youth by suggesting changes at higher levels of government, for example, changes to labour laws that may disproportionately affect youth.

- ❑ **Consider the data from Stage 1:** Examine the drivers of youth unemployment and the breakdown of unemployed youth, such as gender or education level - are there particular groups that should be targeted and how?

EXAMPLE: GRADUATES OR DROPOUTS?

In some places, many unemployed youth have not completed high school or lack the necessary skills to enter the workforce. In others, a glut of skilled graduates is ready to work, but face an economy with few available jobs or the wrong type of jobs. Understanding the type of unemployed youth in each city is key to determining the types of strategies and interventions that will work best. Some possible tactics for these two groups include:

- **Dropouts** – providing education programmes that are accessible in terms of cost, geographic location (for example, in slums) and at hours of the day that accommodate a wide variety of schedules; micro-entrepreneurship training.
- **Graduates** – matching training to jobs through job fairs or internships; workshops on resumé writing and interview techniques; skill upgrading for those that have been unemployed for longer periods of time; mentorship opportunities.



Photo: The Advocacy Project, flickr.com

- ❑ **Reduce the barriers to employment that local youth face:** Using the list of barriers from Stage 1, brainstorm ideas for reducing or eliminating each major barrier in your region. Several examples are shown below.

Barriers	Potential Solutions, Initiatives or programmes
Lack of experience	<ul style="list-style-type: none"> • Unpaid or paid internships with government • Working with schools and industry to develop co-op programmes
Wrong skills for the available jobs	<ul style="list-style-type: none"> • Working with schools and industry to tailor available training courses • Skill upgrading courses • Job coaching to determine transferable skills
Lack of basic education (literacy, etc.)	<ul style="list-style-type: none"> • Literacy and numeracy training programmes delivered through existing youth organizations or churches, schools etc.
Jobs are only given to people with connections	<ul style="list-style-type: none"> • Mentorship programmes that link youth with established individuals • Enforcement of fair and transparent hiring practices for government jobs
Gender, racial, cultural or other bias	<ul style="list-style-type: none"> • Enforcement of fair and transparent hiring practices for government jobs • Employment policies that are not inadvertently discriminatory
Lack of job-finding skills like resumé writing, interview techniques or finding job postings	<ul style="list-style-type: none"> • Employment centres that collect and publicize jobs, provide resumé writing assistance and interview practice • Job fairs • Online resource with resumé examples in local languages and videos of interview techniques
It takes too much time to find a good job	<ul style="list-style-type: none"> • Accommodate job seekers who may have taken 'survival' jobs below their skill level by providing job search services at non-standard hours or online • Promote mentorship opportunities between job-seekers and established professionals
Insufficient number of jobs	<ul style="list-style-type: none"> • Broader programmes for local economic development (see Tool #3 and #4 in this series for ideas)

3 SEE TOOL

4 SEE TOOL



Photo: IICD, flickr.com

- ❑ **Look for ideas that have been successfully implemented elsewhere:** Consider how these could be adapted to local circumstances. Below are a few starter ideas that have had success in reducing youth unemployment and engaging youth in the local economy. Additionally, the Youth Employment Inventory¹ provides hundreds of further case studies online.

Market matching – linking education and employment

While youth unemployment is high in many parts of the world, some of this can be attributed to the fact that what is being taught in post-secondary institutions does not reflect the realities of the job market. This problem could be partially alleviated by developing partnerships between industry and educational institutions. Several steps to achieve this include:

- Research to assess where skills shortages exist or where goods and service gaps exist in the community.
- Partnerships between industry, labour market players (such as unions) and educational institutions to develop curricula and programmes that will help fill skills shortages or close those service gaps.
- Commitment from industry to hire graduates from the new programmes, as well as opportunities for students to learn on the job during their education (through co-ops or internships).

See Chapter IV of the Africa Youth Report 2011 (UNECA) for case studies and more information on market matching.

1 <http://www.youth-employment-inventory.org/>

Entrepreneurship training and programmes

Providing entrepreneurship support to youth can be a relatively inexpensive and effective way to contribute to economic development, especially in places where there are few ‘traditional’ jobs available. A few examples of ways to promote entrepreneurship include:

- **Skills training for simple micro-businesses:** Combining skills training and basic business management skills can provide all the necessary tools to start a small business. Examples include sewing lessons, cell phone and other technology repair classes, or simply education around value addition –like buying in bulk and selling in smaller quantities at markets.
- **Business plan competitions:** Hosted by the city or an economic development agency, a business plan competition raises the profile of entrepreneurship, educates competitors in the process of business plan writing, and generates usable business plans that could be turned into real business by competitors after the competition. Consider having monetary prizes, or having local business leaders as judges – their presence could lead to investments in the businesses, and opportunities for competitors to network with local leaders and employers.
- **Entrepreneurship mentorship programmes:** This inexpensive intervention involves linking established entrepreneurs with aspiring young entrepreneurs. Specific steps could include promoting the programme, screening applicants and making ‘matches’, or providing structured discussion topics and tools.
- **Entrepreneurship training:** Entrepreneurship training can help youth identify opportunities for businesses and understand the realities of running a small business. Training typically consists of topics like ‘opportunity evaluation’, ‘setting up a business’, ‘human resources’, ‘cash flow management’. There are a number of resources that exist for developing programming, including “Entrepreneurship programming for Urban Youth Centres”, part of a training series by UN-HABITAT.

Entrepreneurship training has also been successfully integrated into high school and university curriculums, which raises the profile of entrepreneurship as a career option for youth. The International Labour Organization (ILO) runs a programme called “Know About Business” that provides a free resource kit for teachers with 120 hours of training materials available in multiple languages, as well as providing training sessions for teachers.

GREEN JOBS

Climate change, extreme weather events and environmental degradation affect youth employment, but can also present opportunities. Studies by International Labour Organization and United Nations Environment Programme show that the transition to the green economy holds the promise of substantial green job creation with overall net gains in employment, for example in solar and photovoltaic business, organic agriculture and value-added agricultural processing.



Mobile training for Information and Communications Technology (ICT) training and other skills

ICT skills — which can include hardware, software, internet, telecommunications, and other aspects — are required for many jobs, but getting hands on experience with computers can be difficult, especially in areas that are not on a reliable electricity grid. The Craft Silicon Foundation operates a bus outfitted with computers that acts as a mobile classroom. In this way, the costs and benefits of delivering ICT training can be spread out over several communities.

This idea would also work for other training programmes, such as literacy or job search skills (e.g. resumé writing, interview practice). Mobile training programmes could ‘park’ at schools, events, churches, etc.

Youth employment centres

A youth employment centre is a place where youth can go to access information and resources on entering the job market or entrepreneurship. A Centre can be the focal point of a number of different youth-led and youth-centered initiatives.

A successful example of this type of centre is the One Stop Shop Resources Centre idea pioneered by the City of Nairobi and UN-Habitat and now in place in almost 10 African cities. One Stop Shops can provide a single resource place for youth employment and engagement. Services can include entrepreneurship and job training resources, such as:

- Training workshops
- Job search resources – job postings, resumé writing, interview techniques
- Access to telecommunications
- Health resources and information
- Life skills including leadership, volunteerism, community service, cultural enrichment and driving lessons

Many resources exist to help set up a youth employment centre, including guides from UN-Habitat in the series “Urban Youth Centre Training Manuals”.



Photo: linh.m.do, flickr.com

FIND SOURCES OF FUNDING AND TECHNICAL ASSISTANCE

The following list shows several places where funding, loans or technical assistance may be available. programmes change frequently though, so it's best to do a thorough search.

- ❑ **Regional and National governments:** For example, the Youth Enterprise Development Fund was set up by the Kenyan Government to provide loans and training to youth-led businesses.
- ❑ **UN-Habitat Youth Fund:** Provides grants of \$5,000 to 25,000 USD to projects led by youth (15-32) in developing countries. 59 grants were given out in 2011.
- ❑ **Youth Employment Network:** “Youth to Youth” fund provides funding to youth-led projects in West and East Africa.
- ❑ **International agencies or NGOs:** NGOs may provide funding or be interested in partnering for specific projects. For example, Oxfam has provided funding for youth-run bio-centres in Africa. Look for NGOs whose specific mandate and project focus areas match your proposed activity.
- ❑ **European Commission:** “Youth in the World (Action 3.2)” programme provides funding to projects that promote youth in non-European countries cooperating with youth in European countries for development.
- ❑ **Youth Economic Opportunities:** A frequently updated website that lists new funding opportunities for economic development for youth. www.youtheconomicopportunities.org

RESOURCES

Youth Employment Network: This site contains a variety of resources on youth programmes, access to funds and an online platform for collaboration.

<http://www.ilo.org/public/english/employment/yen/>

“Urban Youth Centre Training Manuals”: Published by UN-Habitat, these guides provide step-by-step guidance on setting up a one-stop youth centre and delivering skills training, entrepreneurship and other capacity building programmes.

Know About Business: The International Labour Organization (ILO) runs a programme called “Know About Business” that provides a free resource kit for teachers with 120 hours of training materials, available in multiple languages, as well as training sessions for teachers.



Photo: momentcaptured1, flickr.com

LED *in* PRACTICE

TOOL
No 3

FOCUSING ON SECTORS

TOOL
3

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This is part of a
5-part 'Toolkit'
on Local Economic
Development.
All tools can be
downloaded from
the **UN-HABITAT**
website.

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Cities may have natural advantages in one or more sectors due to their workforce, location, natural resources or history. Understanding and building on these advantages can be a key local economic development (LED) strategy.

As a sector develops, there will be more advantages to companies within that sector and to the wider economy, such as economies of scale, knowledge transfer, and workforce skill development. But it is important not to rely too heavily on any one sector - a diversified economy is stronger and more resilient in the long term.

This tool outlines popular sector strategies and provides information on the **prerequisites** for developing each sector, and the **planning tools and resources** that can be used to spur growth. While there are many sectors that could be pursued for economic development, this tool focuses on some of the more common ones:



TOURISM



KNOWLEDGE SECTOR



PRIMARY SECTOR
(agriculture and
resource extraction)



MANUFACTURING

BEFORE YOU GET STARTED

Choosing a sector or sectors

Not all LED sector strategies are appropriate to all locations, and the choice of sector strategies should be based on the assets and opportunities within each city. First, complete a Situation Assessment (check out **Tool #1** for help) and use it to determine what industries are a likely match for your city or local area. Next, use the tools in the following pages to more fully explore the necessary prerequisites, trends and statistics, and relevant regional or national context of the potential sectors identified in the Situation Assessment. After a more in-depth examination of what is the most appropriate sector, you can begin to explore how the strategies and planning tools suggested below might apply to a specific sector in your location.

What tools do cities have?

For each of the sectors outlined in this tool, specific strategies and planning tools that can be used to promote the sector are provided. It is also worthwhile to think more broadly about what tools are available to cities to encourage growth in specific sectors. The following is a list of tools that are commonly within a municipality's control. They may be selectively used to attract and support the desired forms of economic development.

- **Financing:** Developing business-ready infrastructure, funding training programmes or new facilities.
- **Taxation and financial incentives:** Offering tax breaks to a targeted industry.
- **Public land:** Dedicating land for transport improvements, new facilities.
- **Adjustments to regulation:** Streamlining processes for business licensing and growth.
- **Facilitation:** Partnership and network building.
- **Lobbying:** Suggesting changes at higher levels of government (e.g. trade policy).

SEE
TOOL

1



Tourism is a diverse sector that can provide employment opportunities for **people with varying skills, capacities, and startup funds, as well as youth**. Tourism can grow within existing city infrastructure without requiring much new land development, and can be a part of vibrant, mixed-use areas.

Potential benefit to the local economy

The economic benefits from tourism to the local community can vary widely depending on whether or not the tourism industry is primarily provided by local hotels, restaurants and shops, or if it is focused on non-local providers such as large resorts. See **Tool #5** for a description of multipliers and how to increase them.

5 SEE TOOL

Prerequisites

Is tourism right for your area? Consider the following checklist of typical requirements for a successful tourism industry:

- ☐ Some touristic assets or attractions, such as historic districts, natural areas, wildlife, undeveloped waterfront areas, recreational sites, or unique culture or tradition.
- ☐ Some infrastructure to move and receive the target tourist population, such as hotels, hostels, conference space, and reliable transportation.
- ☐ Relatively good communications, water, electricity, and sanitation infrastructure.
- ☐ Health systems in place and a relatively healthy population – diseases like malaria, yellow fever, and cholera can sometimes deter tourists.
- ☐ Relatively stable and safe political and social climate.
- ☐ The existence of some tourism within the general region – it is helpful to be on a tourist route, or in the vicinity of other attractions.
- ☐ Locals with education levels and language skills adequate for tourism employment.

If your local area lacks too many of the prerequisites, perhaps there are more suitable sectors to pursue. However, if there are only a few gaps (which should be addressed to the extent possible), or none, the next step is to develop a deeper understanding of the broader context of tourism in your region.

ECOTOURISM

Ecotourism is a subsector of tourism in which visitors focus on cultural or environmental experiences and natural amenities.

Ecotourism is experiencing rapid growth in part because many projects require minimal startup funds, making it ideal for areas with natural or cultural assets but minimal capital. For example, an ecotourist may prefer wilderness camping or homestays with minimal amenities, neither of which are expensive or time consuming for a region to set up and coordinate.

Small scale or ecotourism is also ideal for areas that may not be ready for more traditional tourism, such as areas with inconsistent electricity or poor internet and phone infrastructure.

Do your research

Knowing details about how tourism is already operating in your area will help you make wise, strategic decisions about how it can be supported and strengthened with the tools available at the municipal level. Explore the following areas:

- **Check out existing tourism trends, statistics and research in your region.** National and state tourism boards often have this information available. Check university research as well. Look at trends, successes and failures in neighbouring districts, and case studies.
- **Survey tourists already traveling to your city (if applicable) and use their feedback to develop your strategy.** Sample questions: Where are you from? How long is your visit in our city? What attracted you to our city? What attractions did you visit? Did you take any tours? Where did you stay? What would have improved your experience here? Are you going to any other cities or regions on this trip?
- **Coordinate with national or regional tourism policies or development plans.**
- **Based on your assets, identify what type(s) of tourism best suit your city.** Within each subsector of tourism
 - cultural, business, domestic, international, adventure, ecotourism, etc.
 - the visitor profile and their service demands may vary greatly, and may be more or less easy for your city to provide.

Consider this...

If not planned and managed well, tourism can lead to environmental degradation, resource depletion, population displacement, major social and cultural tension, and/or increases in crime and prostitution. Such results are particularly common in resort-based tourism, with many examples in the Caribbean and Mexico.

Strategies and planning tools

Though every location is unique, here are some typical tools available at the local level for improving the conditions for and long-term sustainability of tourism:

- **Establish guidelines (or certification) for responsible tourism:** Hoteliers and tour operators should function in accordance with agreed upon standards (labour, environmental preservation, etc.).
- **Preserve touristic assets through development controls and other regulations:** Establish view corridors; Restrict waterfront development through zoning mechanisms; Establish historic preservation areas; Protect environmentally sensitive areas (collaborate with environmental ministries or organizations to identify areas and establish protections); Designate permissible tourism activities or zones within environmental preservation areas.

- **Maximize the benefit from public investment:** Decide which areas or activities have the most potential to attract tourists and produce revenue while considering how this revenue will be spread among the local population. Carefully decide how public investment, incentives, or programmes may be used to drive development in these areas. This may include public investment in exhibition spaces, revitalization projects for certain districts, transportation improvements, trail construction, etc. As much as possible, emphasize investments that can be enjoyed by both tourists and residents.
- **Skills training:** Work with local schools and universities to ensure there are training programmes in relevant skills like customer service, intercultural communication, language, guiding and local area knowledge such as birdwatching or historic district tours.
- **Use zoning strategically:** Hotel zoning and the location of touristic sites should encourage integration with the city (to take advantage of existing infrastructure and services), as opposed to isolation.
- **Develop a plan and a funding mechanism to maintain touristic assets over time:** This may include maintenance of touristic sites or attractions, road maintenance, street cleaning, garbage removal, or landscaping and maintenance of parks. Funding may be secured through entrance fees, hotel and parking taxes, the general tax pool, etc.

CASE STUDY: BAHÍA DE CARÁQUEZ, ECUADOR (POP. 20,000)

Formerly a port city, Bahía remade itself as a tourism hub following the closure of port facilities due to sedimentation of the estuary. Surrounded by unique ecosystems and an archeological site, the city was well positioned for this transformation. Some of the main strategies Bahía has used to promote tourism are the construction of a pedestrian waterfront boulevard and a bridge that links the city with the towns and beaches to the north, environmental preservation and reforestation efforts, the establishment of an archeological museum, the promotion of bicycle taxis, and a strong recycling programme.



Photo: Roman Korzh, flickr.com

Quick starts

In addition to the longer-term, strategic options listed above, there are a number of smaller, simpler initiatives that can help build momentum in the short-term:

- **Improve tourism information** by developing an official website, tourism information office, brochures and maps.
- **Compile “easy start” guides for new tourism enterprises** that indicate areas of opportunity, procedures for licensing, and any entrepreneurial or business development services that are available (a review of funding and business support programmes from the national to local level). As an example, see the ‘Guide to Starting a Tourism Enterprise in Botswana’¹.
- **Create or grow existing festivals or events** to attract visitors.
- **Develop a city branding/marketing strategy** that includes outreach to tour agencies and guidebooks (e.g. *Lonely Planet*, *Moon*, *Frommer’s*, *Fodor’s*, *Let’s Go*, *Rough Guides*), etc.

TOURISM - KEEP IN MIND

- Be aware that international tourism may experience significant fluctuations, as it is highly dependent on international economic conditions, and other influences beyond local control.
- Consider the fluxes of seasonal and event-based tourism – in most cases, more consistent and sustained levels of tourism are preferable.
- Support touristic operations that will most benefit the local economy, by favoring locally owned businesses and developing strategies to maximize local employment and sourcing.
- Start small – it’s easier and less risky. Maximize the involvement of ventures with minimal startup funds such as small hostels, B&Bs or homestays instead of big projects, like resort hotel construction.
- Favor multiple service operators instead of a small number of big tour operators, as this is more resilient.
- Think of tourism broadly, including spinoff sectors such as crafts production.



1 A Guide to Starting a Tourism Enterprise in Botswana. CBNRM Support Programmeme, <http://www.cbnrm.bw/publications/CBNRM%20Support%20Programmeme%20paper%209.pdf>



KNOWLEDGE SECTOR

This sector involves the development of institutions of higher learning, and a strengthening of links between universities and industry to stimulate economic activity. Great opportunities exist to create synergies between local industry and university research programmes. Collaboration may take on a variety of forms, from short research contracts to long running research and development (R&D) centres. Such joint initiatives can enhance local industry's knowledge, technology, capacity, and ability to innovate, and provide incentives for more businesses to locate and remain in your city.

Trained in relevant skills, graduates are a valuable resource for economic development: they will have high employment potential and provide an educated workforce for potential employers. Educational institutions and their campuses also provide job opportunities for the local population. Further, educational institutions may attract students from other regions and introduce them as consumers in the local economy.

Potential benefit to the local economy

By partnering with local industry, skilled graduates are more likely to stay in the local economy. Profits from universities are likely to stay in the community, and the university may attract workers and students into the local economy. One study of Portland State University found that for every \$1 spent by the University, the overall economic impact to the community was \$2.40.² See **Tool #5** for a description of multipliers and how to increase them.

5 SEE TOOL

Prerequisites

Consider the following checklist of typical requirements for a successful knowledge sector:

- ☐ Functioning primary and secondary education systems, and some post-secondary institutions.
- ☐ Industry with innovation potential that may benefit from higher learning/ research.
- ☐ Land base for the expansion of campuses, or affordable, centrally located real estate for acquisition (depending on type and scale of strategy pursued).
- ☐ Conditions/amenities that will attract students and faculty and retain them to stay and work locally.

If your local area lacks too many of the prerequisites, perhaps there are more suitable sectors to pursue. However, if there are only a few gaps (which should be addressed to the extent possible), or none, the next step is to develop a deeper understanding of the broader context of the knowledge sector in your region.

² Eric Hovee and Andrea Logue, Portland State University Economic Benefits Assessment, August 2004

Do your research

Knowing details about how the knowledge sector is already operating in your area will help you make wise, strategic decisions about how it can be supported and strengthened with the tools available at the municipal level. Explore the following areas:

- **Survey Industry.** Where does their knowledge or technology come from? Do they have in-house R&D activities? How much is spent on them? Do they see potential for local university-industry innovation?
- **Survey knowledge institutions.** What are their strengths or areas of focus in terms of R&D? Do they see potential for developing programmes focused on local industry?

KNOWLEDGE SECTOR - KEEP IN MIND

- This sector should only be pursued if your city's primary and secondary education systems are functioning well. The education of youth is the first priority before investing in higher education and research. Youth education provides the foundation for full participation in society and will boost economic development in years to come.
- Carefully distinguish between skills training that businesses should be doing themselves, and areas for public investment.
- Consider soft infrastructure vs. hard infrastructure – Be aware that enhancing education, research, and university-industry links (soft infrastructure) is equally if not more important than developing new research facilities and business parks (hard infrastructure). However, keep in mind that soft infrastructure is not always easy to measure (e.g. How strong is this knowledge network?).
- Avoid supporting programmes that only benefit those who are already privileged. Instead aim to include marginalized groups like women and minorities.
- Consider ways to partner with small and medium sized enterprises and promote entrepreneurial spinoffs.
- Recognize that R&D can be extremely expensive in some fields (e.g. biotechnology, high tech).



Strategies and planning tools

Though every location is unique, here are some typical tools available at the local level for the development of the knowledge sector in your area:

- **Establish a State – Industry – Academia committee** or organization. Form networks that establish clear communication and flows of knowledge between universities and firms. To maximize the value of this relationship, consider the following actions:
 - Jointly brainstorm ideas for increasing economic development through skill development or R&D.
 - Determine a time frame of collaboration - consider pilot projects or short research contracts to test the feasibility of joint initiatives before investing extensively.
 - Clearly define the ownership of knowledge produced through this partnership (patenting and licensing agreements, right of first refusal for the industry partners, etc.).
 - Discern commitments from each party (funding, time, space, etc.). Depending on the scenario, different ratios of funding (from industry, university, and state) may be appropriate.
 - Establish an expected return on investment for any public expenditures, including a system to monitor and evaluate progress towards these targets.
- **Consult national or state strategies** for innovation or programmes supporting and/or financing R&D.
- **Review legal framework** (if any) regarding regulation of research and knowledge commercialization.

Knowledge sector development can take many forms, from quick and easy, to long range and transformational



EASY START

- Innovation competitions
- Student exchange – cooperative learning within industry
- Scholarships or tuition waivers for certain industry-related educational degrees or programs
- Graduate placement program
- Industry-tailored curriculum options
- Faculty consulting for industry
- Contract-based research – short term university research with industry as client
- Faculty rotations to and from industry
- Research centres jointly used by industry and academia
- Incubators to promote spinoff businesses
- Attraction of additional businesses within the industry – “cluster development”

DEEP INVESTMENT

- **Create the hard infrastructure or physical space** needed to promote the sector.
 - Develop zoning to reserve land for educational institutions.
 - Single-use zones may allow more space for expansion and may be required if research activities are somehow disruptive or unsafe to proximate uses.
 - Mixed-use zones may be more appropriate in densely developed areas, or if developing joint space for industry and university activities.
 - Enable easy access from worker and student housing to campus(es) and business sites by
 - developing housing, campus(es) and targeted industry sites in proximity to one another.
 - developing them along transportation routes.
 - enhancing transportation between them.
- **Promote city conditions and amenities** that will attract and retain young professionals, such as affordable housing, arts and culture, schools and public transit.



Photo: Álvaro Verdoy, flickr.com



PRIMARY SECTOR: AGRICULTURE & RESOURCE EXTRACTION

This sector involves the extraction of natural resources in a wide variety of forms: mining, agriculture, livestock raising, forestry, fishing, aquaculture, and the hunting or harvesting of other natural products. It is very likely that your city or region is already involved in several of these activities.

While there are certainly many ways to attract new businesses into this sector, **great opportunities exist to enhance already functioning operations.** At its most simple and basic, this could include education campaigns on higher yield agriculture or extraction methods that are used in other locations.

Of the previously mentioned subsectors, mining poses the most limitations in terms of municipal strategies to expand economic development over time. Most importantly, the highest value resources are typically already being exploited, so there is little opportunity to switch to higher value materials. Furthermore, most materials being mined are non-renewable: there is a finite amount which may be extracted, after which the mine will close.



Photo: CIAT, flickr.com

Agriculture, on the other hand, presents particularly good and impactful opportunities, because of the potential to simultaneously address under-nutrition, alleviate poverty and enhance economic development. Agriculture also has the potential to produce benefits over a very long period of time if good management practices are implemented (i.e. if nutrients are returned to soils and water resources are not overused).

Consider this...

Sudden inflows of money due to resource booms can bring serious negative consequences to the local economy and society. There is the potential for inflation, which can harm local businesses. Corruption, crime and social disruption are also possible results.

Potential benefit to the local economy

Benefits can vary widely depending on the business ownership and the type of primary industry. The more local processing or 'value chain development' that can be done locally, the higher the benefit to the local economy. See **Tool #5** for a description of multipliers and how to increase them.

5 SEE TOOL

Prerequisites

Consider the following checklist of typical requirements for a successful primary sector:

- ☐ Existence of resources, such as minerals/ores, productive soils, abundant forests.
- ☐ Existing “primary sector” industry with potential for economic development.
- ☐ Transport infrastructure and logistics to move materials to market.

If your local area lacks too many of the prerequisites, perhaps there are more suitable sectors to pursue. However, if there are only a few gaps (which should be addressed to the extent possible), or none, the next step is to develop a deeper understanding of the broader context of the primary sector in your region.



Photo: Stig Nygaard, flickr.com

Do your research

Understanding existing resources and primary sector operations in your area will help you make wise, strategic decisions about how it can be supported and strengthened with the tools available at the municipal level. Explore the following areas:

- **Assets assessment:** Which of the above assets/ foundations does your city have? How does this compare with other cities in your country or region? Does your city have any clear competitive advantage (particularly strong assets) over the competing cities, or the potential to easily develop such assets? Are there any assets that are clearly underutilized at this time?
- **Impact assessment:** Consider social, economic, environmental and public health impacts of proposed activities, including the opportunity costs of extraction: ecosystem services lost, soil nutrient degradation, depleted water resources, etc.
- **Survey local businesses in the targeted primary subsector:** If you haven't already done so in a Situation Assessment (see **Tool #1**). Ask about barriers that they are facing to growth in their subsector. Use this information to develop strategies and actions.
- **Long term market analysis:** Determine the market demand for these materials/products, including demand forecasts. *You may wish to hire a market analyst to conduct this study.

Strategies and planning tools

Though every location is unique, here are some typical tools available at the local level to promote sustainable development of the primary sector in your area.

- **Develop sector-specific plans to preserve the environment.** These could include plans pertaining to sustainable water use, or pollution control, erosion control.
- **Establish labour standards and enforcement mechanisms.** These should allow for safe working and living conditions, limited work hours, fair wages and sufficient vacation time.
- **Partner with large or transnational companies in your area.** Many transnational corporations actively seek opportunities to support social or environmental initiatives in the areas where they operate. These investments should be carefully integrated with local planning and existing initiatives (e.g. health and education programming), so they may be sustained into the future.
- **Establish agreements for local sourcing, particularly when large or foreign corporations are involved.** This will increase the benefit to the local economy. Small spinoff enterprises should be supported where possible.
- **Look for ways to increase the economic development potential of existing and future primary industries in your areas.** Consider the following five key strategies and ideas:
 1. Increase volumes extracted/produced within limits of sustainability
 - implement training or education programmes in higher yield methods
 - support transition to high yield crops
 - invest in irrigation improvements
 - support local research and development within the subsector

Consider this...

Urban or semi-urban agriculture

Locating agricultural production closer to the areas of consumption (cities) has a number of benefits. This can help to improve nutritional value (as produce is fresher), reduce wasted/damaged harvest, reduce potential for contamination (e.g. salmonella), and enable closer nutrient cycling by using urban wastes for agricultural fertilizer. To encourage this colocation, policy makers could establish agricultural belts or districts around cities through zoning regulations, or introduce or enhance urban agriculture policies, such as:

- allowing local residents to raise chickens or other small animals in their yards.
- giving owners of vacant land tax breaks if they allow small farming plots on the land until it is developed.
- having city public workers plant fruit trees in public spaces instead of ornamental trees.

These types of strategies are already underway in a number of cities, including Lima, Caracas, and Vancouver.

2. Pursue higher value materials/products

- support transitions to high revenue products (e.g. tea; some non-timber forest products like traditional medicines, instead of lumber)
- consider how labels and certifications such as “organic”, “fair trade”, “free range”, “Forest Stewardship Council”, “Marine Stewardship Council” can add value to products

3. Improve levels of operational efficiency

- make transport improvements to allow materials to get to market or to processing facilities
- encourage locational efficiency by locating extraction/production sites near processing/consumption sites or near transportation infrastructure

4. Extend support to small operations

- support community-based operations and cooperatives of small extractors or producers; enable tool-sharing and knowledge-sharing networks
- improve small operators’ access to financial credit
- enable more direct access to markets (fewer middlemen)

5. Ensure the sustainability of yields over the long-term

- actively manage resources to avoid over-exploitation
- encourage training in regenerative practices, like permaculture and reforestation
- support diversification of crops for increased climate resilience
- implement large scale nutrient cycling infrastructure. For example, by turning urban bio-solids into fertilizer

PRIMARY SECTOR - KEEP IN MIND

Before taking actions to expand or enhance a primary sector industry, the costs and benefits of activities in this sector should be thoroughly assessed, as deep and long lasting environmental impacts are associated with many of them. And it is important to carefully balance economic growth with local self-sufficiency, especially food security. While export crops or non-food products such as tea, flowers, or biofuel crops may promote economic growth, they can also compete for local land and water, which impacts the food security of the local population.



Various organizational and operational models should be considered. Some opportunities, such as mines and large forestry ventures, may be pursued as public private partnerships (PPPs). In this model, significant outside capital and expertise is required, but the local government still seeks to assert some level of control and/or ownership. Community-based natural resource management is another alternative model that promotes higher levels of local autonomy and management, though usually for smaller scale projects. Multi-stakeholder partnerships with development agencies or other entities are also possible.



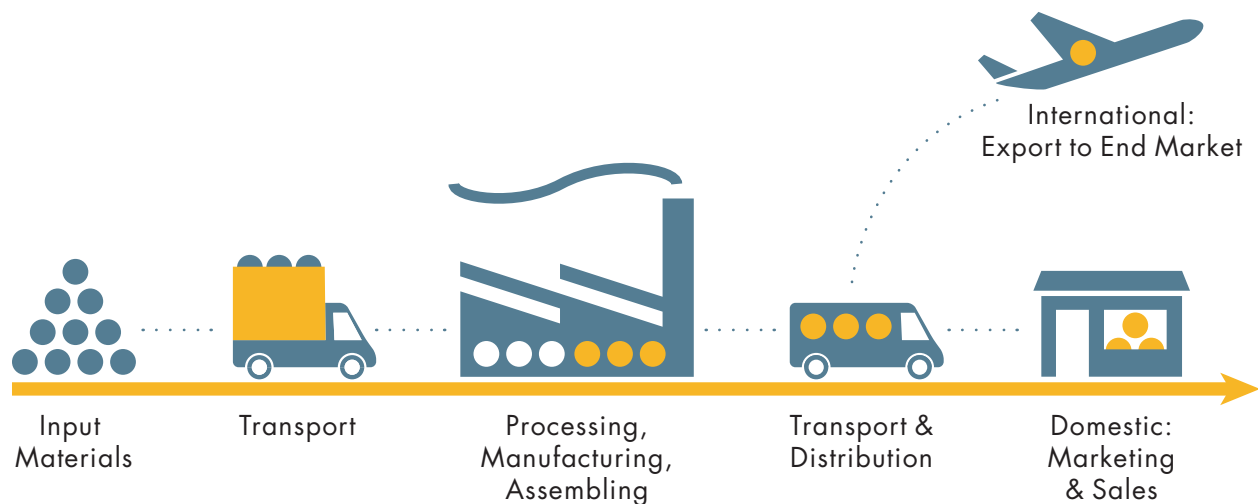
MANUFACTURING AND ITS VALUE CHAIN

A vast number of manufacturing operations are likely already located in your city, from large manufacturing plants to small-scale artisan producers. The 'value chain' of this manufacturing follows goods and materials from processing and manufacturing, through transport and distribution, to domestic sales or international trade. There are many opportunities to stimulate economic development along this value chain, including attraction of new businesses to fill in 'gaps' in the value chain, exploring new products, and increasing distribution efficiencies.

UPSTREAM

VALUE ADDED

DOWNSTREAM



Potential benefit to the local economy

The benefits to the local economy can vary widely, depending on the ownership structure of businesses, the type of manufacturing and other factors. Labour intensive manufacturing tends to have higher benefits to the local economy than capital or technology intensive manufacturing. This is because money is being paid to workers who spend it locally, rather than to equipment manufacturers or banks who may not be local.



Photo: Evan Bench, flickr.com

Prerequisites

Consider the following checklist of typical requirements for a successful manufacturing sector:

- ☐ Primary or secondary resources that could be locally processed
- ☐ Comparatively inexpensive labour
- ☐ Reliable electricity
- ☐ Vacant factory or industrial space; serviceable land base for manufacturing activities
- ☐ Facilities or space available for product warehousing, packaging, etc
- ☐ Existing freight transportation infrastructure and logistics between input materials, processing facilities, markets and/or points of exit
- ☐ Locational advantage between points of production and end markets
- ☐ Trade relationships with other regions or countries



Photo: Peter Gibbons, flickr.com

If your local area lacks too many of the prerequisites, perhaps there are more suitable sectors to pursue. However, if there are only a few gaps (which should be addressed to the extent possible), or none, the next step is to develop a deeper understanding of the broader context of the manufacturing value chain in your region.

Consider this...

Labour and environmental standards must be balanced with business attraction. While inexpensive labour may attract business, fair living wages and good work conditions are critical to economic and social development. Labour standards that limit the number of hours a person may work, for example, can help spread the economic benefits of employment over a larger population. The preservation of environmental resources also helps to spread their economic potential by reserving some of their value for future generations.

Do your research

Knowing details about existing manufacturing operations in your area will help you make wise, strategic decisions about how it can be supported and strengthened with the tools available at the municipal level. Explore the following areas:

- **Assets assessment:** Value Chain Mapping – What is currently produced within your city or region and by whom? Where is it sold (end markets) or sent for further processing? How is it further processed?
- **Value-added processing:** What locally available resources or products may be further processed within your district and sold for higher prices?
- **Import substitution:** What is imported for local consumption? Are there ways to produce this more efficiently at the local level?
- **Business attraction:** What incentives can you offer to help attract businesses to your city? These may be included in a marketing package to attract investment.
- **Survey actors within the sector such as manufacturers, retailers, chambers of commerce and exporters:** What are the inefficiencies/ barriers to growth that you notice within the sector?
- **Review policies and government initiatives, as well as development agency and NGO efforts relevant to the sector:** Is there financial or programmatic support for any area in particular?

Strategies and planning tools

The following strategies and planning tools can help attract new firms, enhance existing firms and create linkages between firms that contribute to overall local economic development:

Land use and physical infrastructure

- Ensure that an industrial policy is in place to regulate industrial placement/location, pollution, and labour standards. There can be regulation of hours of operation or schedules for transporting materials in order to minimize noise and light impact on the local resident population.
- Develop business-ready infrastructure such as transport linkups and serviced land.
- Colocate facilities along the value chain or near transport infrastructure for efficient distribution.
- Improve freight transportation infrastructure.

- Support public transportation between residential areas and manufacturing zones.
- Evaluate the potential economic benefits of energy efficiency improvements for major facilities (port, factories, etc.).
- Review zoning for impacts on small producers and retailers allowing most small home-based enterprises and promoting mixed-use commercial and residential zones.

Increase local sales

- Improve and expand markets and business districts, through measures like signage, transport linkups, marketing and pedestrian improvements like sidewalks, benches, traffic calming and street closures.
- Enable small producers to vend directly, through measures like temporary or permanent markets, or “pop-up shops.”
- Support efforts for shop owners to modernize product sales tracking and ordering, for example, by promoting cell phone apps that act as point of sale scanners.

New, higher value products

- Support research and innovation for new product development.
- Consider developing a “designation of origin” label for high quality, locally produced items. This can support efforts to market particular goods that are traditional to your region or of exceptionally high quality. For example, the term “Champagne” can only be used if the beverage was actually produced using grapes from the Champagne region of France, and following a specific manufacturing process.

Informal business

- Recognize that the informal economy plays a vital role in supporting the economy as a whole.
- Develop a clear, consistent plan for promoting formalization in order to improve business outcomes, public health and safety and municipal-level data and revenue, while minimizing corruption and police harassment.
- Include incentives for formalization, like business development courses, better access to credit, and “business incubator” facilities or “one-stop shops” (see **Tool #4** for more information).
- Simplify business licensing processes and establish business licensing and operating fees that are affordable and appropriate to the size and scale of the business.
- Consider a system of graduated taxation with minimal fees for the first year or two.

SUMMARY TABLE





Sector	Prerequisites	Key Tools	Effect on Jobs and the Local Economy
Tourism 	<ul style="list-style-type: none"> • Touristic assets/ attractions • Transport infrastructure • Political stability; personal safety 	<ul style="list-style-type: none"> • Zoning and environmental regulations to preserve touristic assets • City branding and marketing 	<ul style="list-style-type: none"> • Provides jobs for people with a variety of skills, capacities and startup funds • Effect on the local economy is greater if tourism companies are locally owned and staffed
Knowledge-based Development 	<ul style="list-style-type: none"> • Institutions of higher learning • Industry with potential for local innovation • City conditions that attract students, faculty, and professionals 	<ul style="list-style-type: none"> • Establish a State - Industry - Academia committee, network, and programming • Build research facilities and transport linkups 	<ul style="list-style-type: none"> • Can ensure that graduates are more likely to find local work and stay in the local economy • Likely that a majority of additional income (from industry and universities) will circulate locally
Primary Sector – Agriculture and Resource Extraction 	<ul style="list-style-type: none"> • Existence of resource(s) – minerals/ores, productive soils, abundant forests, etc. • Existing “primary sector” industry with potential for economic development • Transport infrastructure and logistics 	<ul style="list-style-type: none"> • Public-private and multi-stakeholder partnerships • Strategies for improving volume, value, efficiency, and sustainability of yields • Environmental and labour standards and enforcement mechanisms 	<ul style="list-style-type: none"> • Relatively labour intensive work – high job creation • Effect on the local economy is greater if there is local value addition to products
Manufacturing Value Chain 	<ul style="list-style-type: none"> • Primary or secondary resources that may be locally processed • Vacant factory or industrial space • Freight transportation infrastructure and logistics • Location between points of production and end markets 	<ul style="list-style-type: none"> • Support R&D of new products • Develop business-ready infrastructure (transport linkups, serviced land) • Collocate facilities along the value chain or near transport • Improve business districts 	<ul style="list-style-type: none"> • Can create jobs for a wide variety of skills in the formal and informal economy • Potential for many small or micro-businesses to contribute, circulating money locally



Photo: alaskan dude, flickr.com

LED *in* PRACTICE

TOOL
No 4

GOOD IDEAS – WHAT'S WORKING

TOOL
4

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**This is part of a
5-part 'Toolkit'
on Local Economic
Development.
All tools can be
downloaded from
the UN-HABITAT
website.**

.....

Around the world, cities are constantly exploring innovative ideas for local economic development (LED). Sometimes an inspiring idea from one city can be modified and adapted to other contexts with great success.

This tool explores LED ideas that have been successfully replicated in multiple locations, and examines some of the planning and policy tools that can be used to implement them.



TRANSPORTATION



GREEN ECONOMY



**IMPROVING BUSINESS
CONDITIONS**



**BROWNFIELD
REDEVELOPMENT**



**BUSINESS SUPPORT
SERVICES**



LEADERSHIP

Gaining inspiration from the successes of other cities is an excellent way to begin generating ideas for your own city. However, keep in mind that no two locations are the same, and it is important to undertake a thorough evaluation of the feasibility of a project and how it should be adapted to fit the local context.



TRANSPORTATION PLANNING FOR LOCAL ECONOMIC DEVELOPMENT

Good transportation planning offers local governments an opportunity to capture the benefits of rapidly growing cities, while minimizing the negative effects of growth. **In fact, in a fast-growing city, transportation planning is a necessity, not a luxury.**

Effective transportation planning has a number of potential LED benefits:



Photo: yellow book, flickr.com

- Efficient movement of people and goods.
- Avoidance of the gridlock that hurts the economy and pollutes the air.
- Reducing sprawl, making the delivery of city services – such as water, sewer, waste removal – more efficient and less expensive
- Giving increased labour market participation opportunities to poorer residents.
- Creating the kind of city where people want to live – increasing attractiveness to people and investors.
- Freeing up discretionary spending when citizens and businesses spend less on fuel.

Good ideas

- **Transit-oriented development:** This term refers to land use zoning for the construction of mid-to-high density mixed-use buildings around an efficient public transportation network. Good transit-oriented development demands the presence of retail and recreational opportunities near to residential areas, reducing the need for intra-city vehicular travel.
- **Designated commercial traffic routes:** Requiring commercial vehicles to travel on designated routes through the city can allow smoother movement of goods within and in/out of the city and reduces commute times for citizens.

- **Designated public transit lanes:** Use of public transit grows when travel times are less than that of automobiles. A popular way to achieve this is to separate buses from the rest of the traffic on the road, either at peak commuting times or permanently.
- **Bus Rapid Transit (BRT) system:** In addition to dedicated bus lanes, other techniques like pre-board fare collection can improve the overall efficiency of a bus-based transportation system. BRTs are relatively quick to set up, and are a fraction of the cost of elevated or underground rail systems while still moving comparable volumes of people.
- **Consider transportation in economic development decisions:** When siting a new industrial park or factory, consider how employees will get to and from their jobs.
- **Bike Lanes:** More bikes mean less cars on the road, and the safer a bike lane is, the more people will use them. Integrating cycling with public transportation infrastructure is important for those making longer trips.

Strategies and planning tools

- **Take stock:** Undertake a comprehensive analysis of the city’s current transportation network. This should include asset inventories, travel data, and stakeholder consultations to determine the unmet needs of users.
- **Planning/zoning:** Use zoning controls to encourage higher density development around transit hubs.
- **Link transportation policy and infrastructure planning** to the city’s broader LED and other goals.
- **Financing and fundraising:** Seek funding or loans from senior levels of government, development banks and other international organizations. Some agencies that have provided funding for the planning or implementation stage of transportation projects include USAID, Japanese International Cooperation Agency, Swedish International Development Agency, Global Environment Facility and UN agencies. Or look to the private sector to form innovative partnerships. Funds can also be raised more directly by implementing taxes on gas or vehicle sales, or installing tolls on roads.

Cost

The cost of transit interventions varies according to the scale of the intervention. Zoning for high-density development is cheap; Bike lanes or a Bus Rapid Transit system would also be relatively inexpensive. Elevated or underground rail systems can be very expensive.

Case study

Since 1998, Bogota Colombia has undertaken a comprehensive transportation planning programme to counter the productivity, safety and pollution problems arising from its congested roads. Bogota's approach was three-pronged and included public education and marketing of transit and non-motorized travel options, developing Bus Rapid Transit (BRT) and bike infrastructure, and limiting automobile use. Today, 329 kilometres of bikes paths see more than 180,000 people use them every day. Travel times on routes serviced by the city's BRT system have fallen by 32 percent, while travel times have also been reduced for other vehicles. At present, 1.5 million people use the BRT system each day. When build-out is complete, city officials hope for five million daily users, comprising 80 percent of the city's total commuters.



Photo: xander 76, flickr.com

Resources

Consider this...

Some transportation infrastructure and service improvements come with large price tags. Make sure you take all the potential benefits (economic, social, environmental) into account when conducting your financial analysis.

Urban Transport section of UN-HABITAT website – contains many resources, guides and best practice examples

Sub-Saharan Transport Policy Programme by the World Bank



GROW THE GREEN ECONOMY

New job opportunities and a heightened quality of life can be found in the transition to a green economy, and municipal governments have an important role to play.

Good ideas

- **Energy efficient buildings:** By demanding greater energy efficiency in new buildings, or encouraging the retrofit of the existing building stock, local governments can stimulate demand for innovative construction products, create jobs in the building industry, and help free up discretionary spending when citizens and businesses are able to spend less on heating and cooling their spaces.
- **Solid waste management:** Much of what gets discarded as waste could be used for other purposes with some effort and ingenuity, saving money and resources in the process. Potential job creation opportunities based on better waste management include seeking out new uses and markets for discarded materials, collecting and composting organic matter for sale to local farms, and capturing landfill gases or other waste-to-energy innovations to generate electricity.
- **Water conservation and wastewater treatment:** Many of the world’s cities endure wasteful water delivery systems and unsanitary wastewater discharge. New service delivery schemes and infrastructure improvements in these areas can help create jobs and improve the quality of life in the city. Many positive changes to urban water issues begin with better governance at the local level.

Strategies and planning tools

Means by which local governments can influence green economic growth in their region include:

- **Planning/zoning:** Land use rules and policies in a city can be used to dictate the density of developments, sustainable transportation strategies and the designation of special green economic development zones.
- **Taxes:** A property tax structure can be introduced that favours green industry or other favourable economic activities.
- **Development controls:** Cities can introduce energy efficiency standards and renewable energy requirements into their building codes. Density bonuses can be contingent on green building standards.
- **Public procurement:** Local governments can stimulate demand for more sustainable, locally-produced products by purchasing them for their own operations.

- **Other public support:** If resources allow, local governments can help support green job growth in their city by funding or providing space for **research, technology hubs, business incubators, and network development.**

Cost

Low to Medium. Many green economy interventions by local governments require changes to policy, rather than investment.

Case study

When a new biodiesel power plant was constructed in the Brazilian city of Volta Redonda in 2007, the municipality used it as an opportunity to address a serious environmental problem, educate the public, create jobs, and generate revenues for local schools. The local government encouraged and helped fund the founding of Eco-oil, an organization that collects used cooking oil for delivery to the power plant and helps raise awareness about the environmental consequences of improper disposal of used cooking oil. Area schools serve as neighbourhood drop-off and collection points for the used oil, and one-third of the revenue from selling it to the power plant is returned to participating schools. The other two-thirds funds Eco-oil's operations. By 2009, Eco-oil was collecting and selling 22,000 litres of used cooking oil each month, a number the project's leaders hope will grow to 80,000 in the near future.¹

Resources

Green Economy section of the United Nations Environment Programme website

Green Jobs section of the International Labour Organization website



Photo: andresmh, flickr.com



IMPROVING THE BUSINESS ENVIRONMENT AND REGULATORY REFORM

When doing business is difficult or unpredictable, private enterprise and local government lose out. Developing an enabling business environment means creating conditions where businesses can flourish by making service delivery more efficient. This, in turn, can help governments increase revenues from taxes, and reduce service delivery costs.

Good ideas

Businesses want to work in a place that has clear, consistent and efficient regulation, and the services they need to carry out their affairs. Here are some common areas for interventions or regulatory reforms:

- **Land and property:** Land title, property rights enforcement, property registration
- **Taxes and user fees:** Property taxes, infrastructure fees
- **Regulation and licensing:** Business licenses, health, safety and environmental standards
- **Investment incentives:** Special economic zones
- **Infrastructure and services:** Transportation infrastructure for moving goods, access to water and waste pickup, high-speed internet, cell service

Consider this...

Housing all permitting and licensing services that a business might need under one roof rather than in multiple locations can make it easier for new businesses to be established, and existing businesses to operate and grow. These “One-stop-shops” have become a popular way to reform business environments around the world.

Strategies and planning tools

- **Conduct a survey of local businesses:** Survey businesses about the barriers that they face, ideally as part of a larger situation assessment (See **Tool #1** in this series on [situation assessments](#)). Learning from the private sector about the impediments they face will determine where policy or regulatory interventions are most needed.
- **Link governance and culture:** Local government is more likely to gain respect and legitimacy from citizens and the business community when it is part of, rather than imposed on, the local culture.

1 SEE TOOL

- **Ensure clear decision rules and procedures:** Business codes and land use zones should reflect long term planning and promote security, rather than short-term interests or political expedience.
- **Provide a safe political environment:** Consistency, predictability and clarity help investors and entrepreneurs feel secure. Wild swings in policy or preferential treatment for friends of government is bad for business and investment.
- **Ease of business entry and efficient regulation enforcement:** Heavy regulation plus weak enforcement leads to higher rates of corruption and a large informal economy.
- **Consider outside help:** Many municipalities and state governments draw on the services and experience of international organizations or outside consultants to help guide their business enabling environment interventions.

Cost

Low. Staff time is the major input required.

Case study

In 2007, with the assistance of the International Finance Corporation (IFC), the northern Mexican city of Tegucigalpa began the process of reforming its business licensing process. Before the license streamlining, it could sometimes take businesses upwards of nine months and 180 procedures to register their business. With IFC's help, Tegucigalpa implemented standardized procedures for municipal employees to follow and significantly reduced the number of steps required to obtain a permit. Businesses assessed to pose minimal health and environmental risks are now fast-tracked through a computerized system. Today, business owners can complete the business registration process in a single day. Tegucigalpa officials say they have registered 12,000 new businesses in the past three years, a 75 percent increase. Furthermore, officials say municipal tax revenues have increased between 8 and 9 percent since the reforms thanks to a steady number of businesses leaving the informal sector and registering their operations.²

Resources

Enterprise and Business Development section of the United Nations Industrial Development Organization (UNIDO) website

Economic Growth and Trade section of USAID website

Consider this...

*Reform can mean **significant changes to government operations** where officials may be entrenched in longstanding protocols and resistant to change. It will be important to help them understand the benefits of changes to municipal operations.*

2 Source: International Finance Corporation



BROWNFIELD REDEVELOPMENT

Cities around the world are littered with vacant or underused industrial sites, often in urban centres, where they are not only an eyesore for local residents, but represent forgone economic development and local government revenues as well. Brownfield redevelopment projects can be high-risk, with significant up front costs, but the economic benefits, public realm improvements and government revenues they bring can be substantial.

Consider this...

Local governments are well positioned to oversee brownfield regeneration projects, but often need administrative authority delegated to them by the central government. State-owned brownfields, for example, must be placed under the control of local authorities to spearhead their redevelopment. Additionally, local governments must have the authority and capacity to enter in to successful partnerships with private developers.

Redeveloping brownfields can contribute to LED by

- Reducing the need for greenfield sprawl which often eats into important agricultural land
- Using existing city infrastructure (roads, sewer, power), mitigating the need for costly service extensions to new developments on the periphery
- Growing local government revenue in the form of property taxes and licensing fees through the resumption of economic activity on previously vacant sites.

Strategies and planning tools

- **Understand the possibilities in your city:** Create and maintain a brownfield database that includes ownership, environment and other relevant property information for each site within city limits. A database allows local government to prioritize sites for redevelopment, and provide accurate information to prospective developers. Conduct **preliminary market assessments** for each site.
- **Consider the costs of remediation:** Remediation (environmental cleanup) is generally the riskiest and most costly component of a brownfield development. The costs may be borne by local governments, businesses or others. Look at historical use records to get an idea of potential environmental contamination, and get remediation estimates from qualified contractors.



Photo: STC4blues, flickr.com

- **Motivate owners to consider redevelopment:** Cities can motivate private owners to redevelop (or sell) by imposing fines or higher property taxes for vacant lots, making environmental remediation mandatory, or other means.
- **Address regulatory barriers to redevelopment:** Sometimes out-dated regulations can deter the kind of activity you are looking for to spur economic growth. For example, in some cities, parking policies require a certain amount of parking spots for each new development. In a brownfield development located in a higher density area, this may be impossible or financially unfeasible.
- **If nothing can be done immediately, consider interim uses** Community garden plots, farmers markets, or informal soccer fields (providing the site is safe for such uses) could be potential uses that provide economic or social opportunities for residents.

Consider this...

Brownfield redevelopments are complex undertakings that require knowledge from across a spectrum of disciplines, including environmental specialists, urban experts, lawyers, economists, real estate and finance professionals, property developers, local government officials, and adjacent neighbourhoods that will be affected by the redevelopments.

Cost

Medium to high costs. The cost depends largely on the extent of contamination and required remediation, and the nature of agreements with private partners. Costs could be borne by the city, private developers, state or national governments, or others.

Resources

Managing Brownfields Redevelopment. World Bank Group. 2010



BUSINESS SUPPORT SERVICES

Owning and operating a business can pose significant challenges, and even established firms need guidance from time-to-time. Access to information, advice, and skills training can help entrepreneurs and their staff overcome the obstacles that cause businesses to underperform or fail. By establishing business support services in their city, local governments can help homegrown firms succeed.

Business support services are often offered through business support centres. These business support centres provide services like technical guidance in business plan writing, accounting and financial management training, marketing assistance and directory services to connect buyers and suppliers. They can also help businesses navigate government licensing, permitting, inspection and tax processes. Finally, business support centres can be the repository of information and publications useful to start-up firms or out-of-town businesses looking to establish new operations.

Depending on the resources available, business support centres can provide more in-depth business support services such as

- Training programmes for entrepreneurs,
- Business Incubators, or
- Microloan or microfinance administration

Consider this...

While recognizable and accessible storefront services are important for business support centres, in today’s wireless world there are other ways to deliver information that clients need. Keeping an up-to-date website with answers to frequently asked questions is important, as is an online library of useful reference and training materials for businesses. The business support centre website might also host an online forum where small business owners and support centre staff can ask questions and share tips and experiences. Telephone services should also be made available for clients without internet access or who are unable to visit the storefront.

Strategies and planning tools

- **Build partnerships:** Other organizations- such as business associations, universities, and international organizations - can help fund, develop or operate the business support centres.
- **Determine level of services appropriate to the resources available:** Over time, business support centres should become self-sufficient by charging fees for services and operating like businesses themselves. Initially, however, external funding is required as the centre builds a reputation and client base.
- **Hire knowledgeable staff:** Support centre clients want to know they are getting the best

information possible. Look to government, the finance sector, universities and business community for management or referrals.

- **Tailor services to local needs:** An analysis of the local business environment should help determine where gaps exist and the knowledge needed to help fill them. See **Tool #1** in this series on Situation Assessments.
- **Location, location, location:** Business Support Centres should be visible, accessible, and welcoming to clients.
- **Market the support centre's services:** Building a clientele and becoming self-sufficient is only possible if new and established businesses use the centre's services.

Cost

Low to Medium. Upfront costs to establish a business support centre can be substantial, depending on the scope of services offered. Over time, however, support centres should generate revenue through service fees. Other types of support services, such as LED publications, or a website, entail considerably lower start-up costs.

Consider this...

Cities with minimal resources can start small when developing business support services. Something as simple as a guidebook or checklist for new businesses, or a website where a city's economic profile and relevant data are stored, could prove very helpful for fledgling firms.

Case study

Established in 2001, the Jamaica Business Development Corporation (JBDC) helps guide businesses in start-up, financing, marketing, and growing their operations through offices in Kingston and 10 other towns and cities around the country. In 2011, the JBDC provided business assistance to 10,300 individuals/entities, 2,020 of whom were new clients. The JBDC operates as a cooperative arrangement among government agencies and the private sector, associations, academic and research communities.

Resources

Promoting Local Economic Development Through Strategic Planning: Chapter 4. UN-HABITAT. 2005



LEADERSHIP: CREATING THE RIGHT INSTITUTIONS FOR ECONOMIC GROWTH

An institution is any structure or mechanism of social order and cooperation governing behaviour within a human community. In the context of LED, it is important to have the right institutions in place to **plan, carry out and monitor** economic development projects and initiatives.

Good ideas and strategies

- **Understand what is already happening in your city and region:** Even if there are no formal economic development activities taking place at the city level, there may be a variety of initiatives going under different names or by different agencies. Taking stock of what is already happening can help you understand the scope of current activities, major gaps, and potential overlap or inefficiencies. For example, there may be economic development departments at the regional or national level, Chambers of Commerce, Business Improvement Societies, waterfront redevelopment programmes, Tourism Councils or other industry associations.

- **Form a LED organization or agency:**
It is very common to have economic development initiatives led by an organization that is separate from the city administration, typically called a LED agency. Such an organization/agency can spearhead research into the opportunities and weaknesses that exist in the local economy, develop the ideas that will comprise a city’s local economic development strategy and oversee the implementation of those ideas. The organization could be formalized and vested with significant powers of implementation, or less formal, existing as an advisory forum. Regardless, representation from a diverse range of stakeholders is critical, with members drawn from government, industry, small and medium-sized business and universities, as well as non-governmental organizations like women’s and environmental groups.

Consider this...

Be careful that you aren’t just creating another level of bureaucracy or wasting stakeholders’ time. Make sure there are clear goals in place, deliverables and a systematic approach for evaluation and changing programmes as needed. Creating ‘Terms of Reference’ for the LED agency or stakeholder group can be a good way to set this tone.



Photo: Rachel Strohm, flickr.com

- **Write economic development into job descriptions and departmental goals:** Whether in the city government or in an arm's length LED agency, by writing economic development into job descriptions and departmental goals, staff become responsible and accountable for its implementation. It also formalizes the importance of ongoing economic development initiatives, rather than one-off projects that can be abandoned or forgotten. While not always the case, economic development may fit well into the planning department of a city.
- **Regional collaboration:** Cities need not go it alone when planning for economic development. Considerable efficiencies and economies of scale can be realized when local governments work together to achieve their development goals. In addition to creating a stronger voice with which to lobby senior levels of government, regional cooperation can result in improved service levels, reduced administration costs, better management of natural resources, and the emergence of new ideas from greater dialogue among regional partners.
- **Creative partnerships:** The LED agency outlined above may be a forum for collaboration between public and private actors, as well as different levels of government. There are other creative ways for these groups to work towards LED as well. For example, industry groups and the city may partner to promote inward investment in a particular industry, or a region in the city might work with the city's planning department to improve public transit access to their area.

Cost

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Low. Staff time is the major input required.

Case study

The Cape Town Partnership is a local economic development agency that has been successfully improving downtown Cape Town, South Africa for over 10 years, with partners from business, the city, residents, non-governmental organizations and others. Formed in response to the decline of the downtown area in the 1990s, the partnership took the time to set up the institutions they would need for long-term success. For example, before getting started, they conducted research into partnership models, and decided on a model that was both action oriented (providing financing, management etc.) and also focused on long term planning. They identified clear roles for each partner, using boating metaphors such as ‘rower’, ‘steerer’, ‘cheerer’ and ‘coach’. They have published an excellent resource guide called ‘Lessons from the First Ten Years’ that outlines some of what they learned while building a successful LED agency.

Resources

Local economic development agencies.
UNDP, ILO and others. 2003

Lessons from the First Ten Years
Cape Town Partnership. 2009

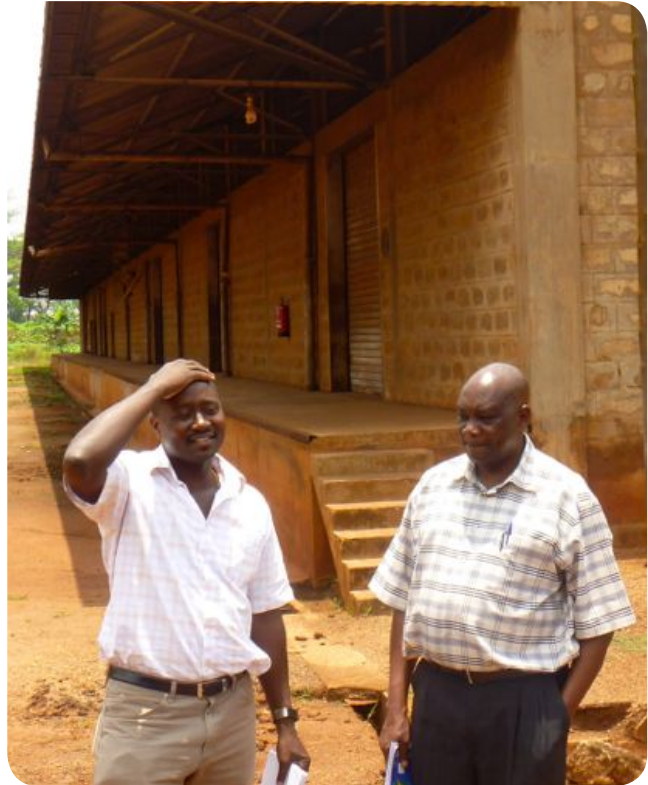


Photo: US Army Africa, flickr.com

A FINAL NOTE: MARKETING, ADVERTISING, AND PROMOTION

Where new economic development ideas are being piloted, municipal government has a role to play in promoting them to the local community and a broader audience according to the nature of the plan. Changes to business licensing procedures, or the launch of a new business support centre, for example, need to be communicated to small and medium-sized business owners in the city. A new special economic zone for heavy industry would need promotion among potential investors nationally and beyond. Undertaking a successful marketing campaign demands determining desired results, assessing target markets, developing a set of marketing actions and, finally, measuring the success of the marketing initiative.



LED *in* PRACTICE

TOOL
No 5

ECONOMIC MULTIPLIERS

TOOL
5

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This is part of a
5-part 'Toolkit'
on Local Economic
Development.
All tools can be
downloaded from
the **UN-HABITAT**
website.

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*Cities can use **economic multipliers** as a tool to predict how an investment will affect their local economy. They can be used as part of a formal economic development study, or as a quick estimate to help a community group decide whether to support a proposal in their area.*

This tool provides information on using economic multipliers, finding the most appropriate one for your region, or, if none exist, quickly estimating one yourself. It also explains how to improve the economic multipliers in a region in order to maximize the positive effects of initial investments. The appendix provides examples of industries and projects that may have high or low multipliers.

ECONOMIC MULTIPLIERS - KEEP IN MIND

Keep in mind that economic multipliers are just one evaluation method for the economic effects of an industry or business. Like all methods, they have their benefits and drawbacks. This paper provides a simple overview of economic multipliers. Before using them to make decisions, please make sure to read further into the intricacies of multipliers.



What is an economic multiplier?

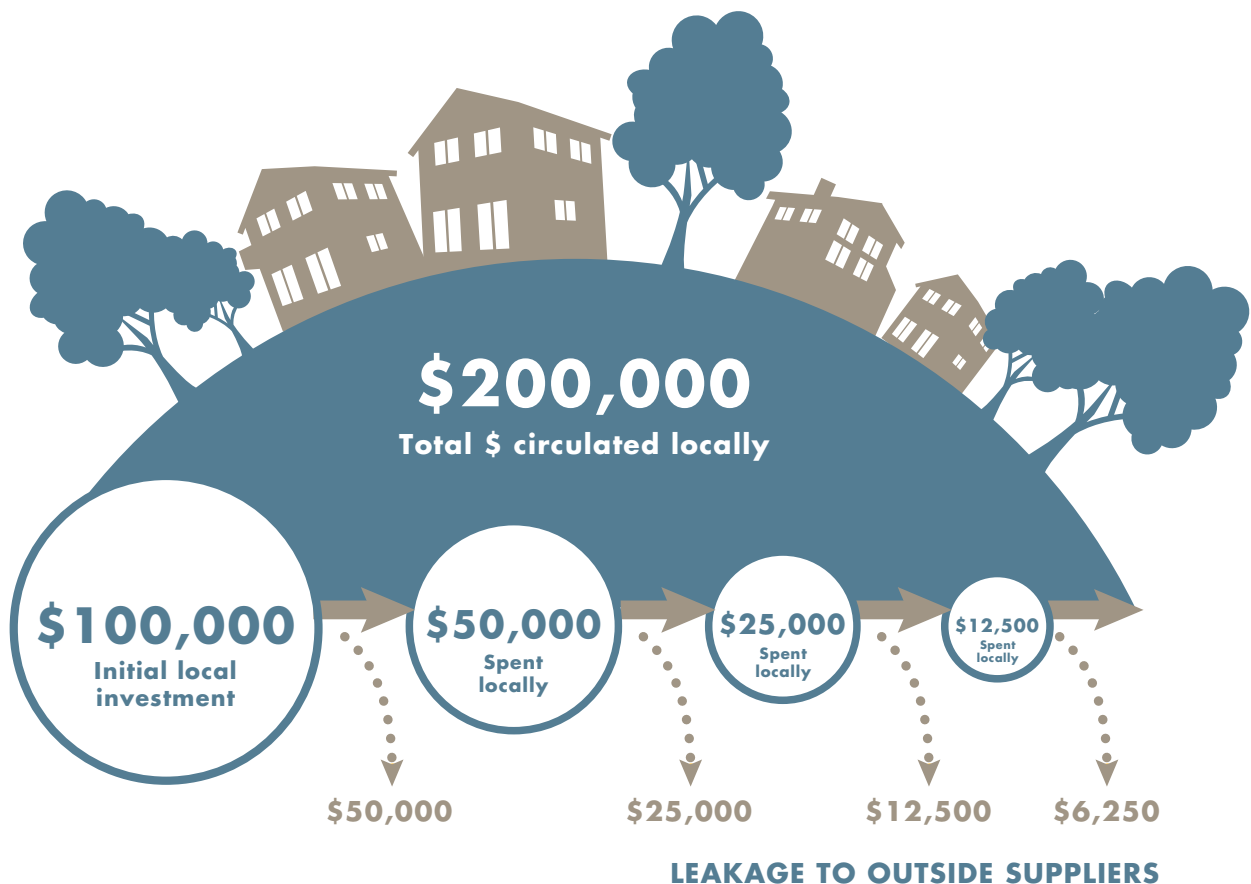
When new income enters the local economy - say, from investment in construction or tourism - that income circulates throughout the economy in various ways. For example, if a new road is built, income enters the economy in the form of new wages for people working on the road; it circulates through local suppliers of materials; and from the wages spent by workers when they buy products for those households such as food and clothing from local retailers.

A multiplier is a number that describes the total impact - including direct impact (the road workers), indirect impact (local suppliers) and induced impacts (spent wages) - that can be expected from a change in economic activities. **The higher the multiplier, the greater the benefit to the local economy.**

How do multipliers work?

At each stage of an initial investment circulating through a local economy, some money inevitably 'leaks' out. The percentage that **stays and continues to circulate** among local workers, households, and business determines the **multiplier** of the initial income.

In the example below, 50% of the initial income stays within the community with each step, as companies pay employees and suppliers, and employees buy from local businesses. Over time, all of the initial funds will leave the community, but before it does, the initial \$100,000 is doubled into \$200,000 in income for the community. To calculate the multiplier, we divide the final income (\$200,000) by the original investment (\$100,000), giving the new firm an **income multiplier** of 2.0.



While multipliers will always vary from region to region, there are a few rules of thumb that can help understand what creates a higher multiplier versus a lower one, all else equal.

- Projects and industries that rely heavily on locally sourced goods will have higher multipliers than those that rely primarily on imported products.
- Projects and industries that add little value to raw products will have lower multipliers - more value addition typically requires more inputs and labour.
- Multipliers are affected by the number and strength of economic linkages in the economy. The more upstream and downstream supply chain linkages that a project or industry has in the local economy, the higher the multiplier.
- Projects or industries with a high percentage of local ownership will have higher multipliers than those with predominantly non-local ownership, since profits will not immediately leave the region.



Photo: Adam Jones Ph.D. Global Photo Archive, flickr.com

Two key types of multipliers

While there are many types of multipliers that can be measured, two that are most relevant to LED for cities are **income** and **employment** multipliers. These two are often correlated with each other, but not always.

1. **Income multiplier:** An income multiplier describes how the income of a new business or industry is multiplied throughout the local economy. It is calculated by taking the total amount spent throughout the local economy related to the original investment (including direct, indirect and induced spending) and dividing it by the original amount of income for that business or industry.
2. **Employment multiplier:** The employment multiplier shows the total number of jobs created in the community (direct, indirect and induced) relative to the jobs directly created by the new activity or industry. The employment multiplier is equal to the total number of jobs added to the economy divided by the original jobs added by the new firm or industry.



Photo: easyrab, flickr.com

How to use economic multipliers

Economic multipliers can help a city choose between several potential economic options such as developing their tourism industry, promoting natural resource extraction, or investing in roads and other infrastructure.

Multipliers are best used to **compare the relative merits** of several options, rather than as a tool to try and predict the exact outcome from an economic activity. This is because your present, local situation will never exactly replicate those that were used to create the multiplier, and because multipliers are typically based on past events and cannot accurately predict all the factors that will affect a future investment.

Where do multipliers come from?

As a local government or organization, there are two ways to find a good estimate of a multiplier effect for a business or industry that you are evaluating.



Use an **existing multiplier** value already calculated by economists, academics or planners in your community, region, or nation.



Create an estimate of the value for a particular business or proposal yourself.

The best method for your situation will depend on the kind of data available, your resources, and the community's willingness to inform an estimate. The next two sections describe each of these methods in more detail.



EXISTING MULTIPLIERS

Existing multiplier data may not always be available, but when it is you can save a large amount of time and effort by using them. In addition to the time-savings, existing multiplier values may also be viewed as more official or legitimate than ones produced by local non-experts. Since external numbers are generally calculated without a motive to support or oppose a particular project, they may be seen as more neutral or objective.

How are multiplier values created?

Multiplier values are typically determined using a method called input-output analysis, which uses large databases that connect industries, households, and government within a given area to get a broad sense of where and how money flows. Using these databases, economists can track how a direct increase in revenue—say, a new factory producing \$1 million worth of T-shirts—propagates through the system. The sum of that impact divided by the direct increase in income determines the economic multiplier.

Be aware that many formally calculated multipliers might not take informal sectors of the economy into account. While new investments do have an effect on the informal economy, it is difficult to measure. This may be a justification for calculating a multiplier locally using estimates of the informal economy, or for determining some way of extrapolating informal economic activity from formal economic activity.

Where to find existing multipliers?

A good first step to finding multipliers is to inquire with organizations that collect economic data about your area and see if they have multiplier information available. Potential sources include:

- National or state departments of trade, commerce, or agriculture
- Planning organizations or agencies
- NGOs or international organizations involved in development work
- College or university economics, business, or planning departments
- Google Scholar



Photo: CSA Svenska Cellulosa Aktiebolaget, flickr.com



Photo: Fighting Irish 1977, flickr.com

How to choose the best existing multiplier?

Finding estimates of multipliers that match your community's local conditions will generate the most realistic predictions.

When choosing a multiplier to match your local conditions consider the following recommendations:

- Find a multiplier that accurately represents the **kind of business or industry** in question.
- Use the **most recent multiplier data** available. Many existing multiplier values were calculated in the late 1980's and early 1990's. These sources are often cited in current literature, and it can be difficult to find recent multiplier values. Many aspects of an industry may have changed in the last 20 years. If you find an older multiplier, go back through their assumptions and calculations to see if the situation is still comparable.
- Choose the multiplier that most closely matches the scale of your region (city, state, nation).

EXAMPLE – CHOOSING THE MOST APPROPRIATE MULTIPLIER

Consider a district government that is trying to evaluate the impact of a coffee roasting business on employment. When district staff examine the available multipliers, they find an estimated employment multiplier of 0.84 collected by their national government from all agricultural industries, and another estimate of 1.05 collected at the state level among food processing firms. In this case, the second figure would be more appropriate because it is a closer match to both the scale being evaluated and the kind of business being evaluated.

However, suppose that the district government finds a new data source that gives an estimated employment multiplier of 0.68 among agricultural industries at the district scale. Here, the correct multiplier is less clear: the third value is a closer match in terms of scale (district vs. state) but less specific with regard to industry. Here, determining the best value requires looking at the area that each value was calculated from and making a judgment call on which one more closely resembles one's own community. The district government might also use both values to provide 'best case' and 'worst case' estimates.



CREATING YOUR OWN SIMPLIFIED MULTIPLIERS

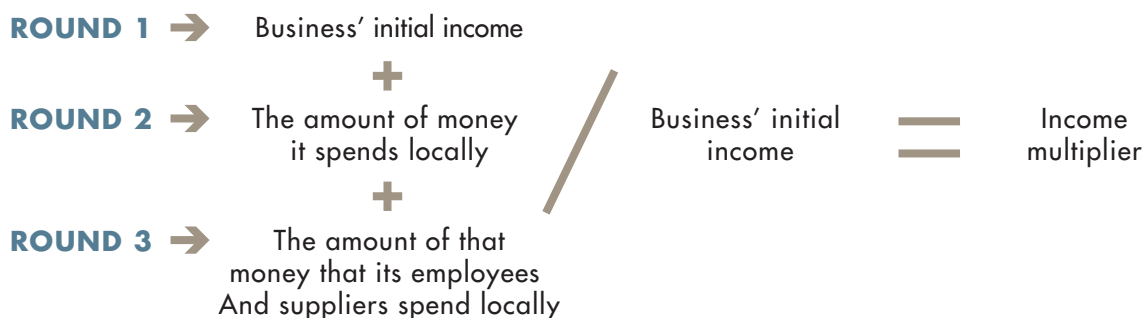
If existing data on multipliers in your community or region can't be found or aren't appropriate to your situation, the alternative is to do a simplified calculation locally. The multiplier won't be as robust as one created through input-output analysis, but it can give you a general idea of the multiplier, and be particularly useful for comparing between several options. Additionally, many communities have found that the **process of creating the multiplier** forced them to look at their economy in a new light, finding new ways to strengthen local economic development.

The following is a description of how to calculate **income** multipliers. Employment multipliers are more difficult to estimate.

This method can be applied directly to existing businesses to understand the impact of a change in their operations. However, if you need an estimate of the multiplier of a new investment, you will need to either study a similar business in your area or a neighboring community, or apply the process to spending and income from a hypothetical business plan, including prospective employees and suppliers.

Once you have decided what business or industry you are studying, you will then trace how income from this business or industry trickles through the local economy. Ideally it would be possible to track all the income all the way through the local economy, but this would be extremely time consuming and generate smaller and smaller refinements to the calculation. In reality, looking at just a few rounds of spending should suffice. Three rounds of spending should capture the majority of the impact¹.

The process for a simple income multiplier is as follows:



¹ The New Economics Foundation, in their guidance document on calculating multipliers called "The Money Trail", recommends only looking at three rounds of 'income' – and that those first three rounds can capture approximately 85% of the total effect in the economy in some cases.

EXAMPLE – ESTIMATING AN INCOME MULTIPLIER

As an example, let's consider a town planner applying this method to an infrastructure project – the building of a new bridge that will cost \$60,000 per year, paid to a local contractor. Looking at the spending for this project, the planner finds that the contractors will spend \$40,000 on salaries paid to local workers, and spend \$8,000 on supplies from local merchants. To follow the money to its third round, the planner surveys the local workers on where they spend their salaries, asking how much of their monthly income they spend at businesses within the town's boundaries. She finds that, on average, they spent 55% of their earnings in town, or \$22,000. She also has to follow how local suppliers spent the \$8,000. By asking the merchants where they purchase their inventory and how many of their employees live in town, the planner finds that about 35% was spent locally, or \$2,800. Totaling the initial income plus subsequent local spending produces the final income:

ROUND 1: Initial project cost	\$60,000
ROUND 2: Contractor's local spending	\$48,000
ROUND 3: Staff and supplier's local spending	\$24,800
Total	\$132,800

Dividing the total income (\$132,800) by the initial income (\$60,000) produces the project's multiplier of 2.21.

This method is not perfect—an ideal multiplier estimate would include many more rounds of spending, until the initial income has left the community entirely—but it allows communities to do their own research on the impacts of a business with a reasonable effort, and is particularly useful for comparing several options.

Conducting a good survey for multiplier data can be a challenge, and you may need to build support from the community to convince employees and businesses to participate. Some gaps and minor errors in the data are inevitable—some people may be reluctant to discuss their finances or may give a poor estimate of their spending.

Despite the challenges, the method has major advantages: by using this process, you can determine how money flows from a *specific* business or investment in your community, not an average of many businesses in a wide area as would be the case with existing multipliers. It allows a community to compare proposals that may fall under the same category in official multiplier estimates—for example, a local bakery and a large food packaging plant might both be considered “food processors” by economic agencies.

Finally, the process of investigating where businesses and households spend money can give you or your organization valuable insights into your community, and might even inspire solutions that could help increase local multipliers and build your economy.

Consider this...

Tourism accounts for a large portion of global economic activity, and a multiplier for tourism would be of interest to many cities and regions. However, calculating a multiplier for tourism can be difficult since many aspects of tourism cannot be disentangled from other spending categories (such as retail or local transportation). As such, on many lists of multipliers from academic or official studies, tourism will be missing.

For these reasons, tourism lends itself well to the simple calculation methods described above, since conducting the calculations on a smaller scale would enable a distinction between tourism spending and local spending.

Increasing economic multipliers

Economic multipliers reflect the rate at which money leaves the local economy. There are many things that cities and regions can do to decrease the rate at which money leaves the local economy, and thus increase the economic multipliers of existing businesses, or of future industry development.

In order to begin increasing local multipliers, bring together stakeholders from the business community, labour organizations, and government and begin asking questions about the local economy, such as:

- What products and services do you and your neighbours go outside your community to buy?
- How could you provide a chance for businesses and residents to spend more money locally?
- What goods do local businesses need or choose to import?
Could they be produced efficiently within the community?
- If a particular kind of business can't be started locally, could the government provide support to attract an outside business into the community?
- Could a local bank or credit union help residents' savings support local investment?
- Is a lack of infrastructure preventing local businesses from starting or growing?

**CASE STUDY: KWICKSUTAINEUK
AH-KWA-MISH FIRST NATION, CANADA**

Kwicksutaineuk Ah-kwa-mish First Nation in Canada is located on a remote island and relies on water transport to get to the nearest town and to transport building and other supplies. The water taxi companies are not owned by local residents, and a large portion of local income is flowing out of the community to the water taxi operators.

The community is currently putting together a business plan and funding proposal for a community-owned water taxi service, which will ensure that the money spent on transportation continues to cycle within the community.



Photo: Gabriola Sea Kayaking, flickr.com

With this group, brainstorm potential opportunities to reduce these leaks out of the community and increase the economic linkages within the community. Here are a few ideas to start things off:

- Provide market space for farmers or local craftspeople.
- Open a cash-point in a local area – research shows that people tend to spend cash near to where they withdraw it.
- Look for ways to increase the amount of local processing of goods before they are exported, for example, by supporting local milling of wood products before they are shipped out of the area.
- Adopt government procurement policies that favour local businesses.
- Form cooperatives for agricultural producers, fishers or craftspeople. This can help with gaining access to new markets, increasing lobbying strength, or pooling resources to buy equipment.
- Promote cooperative banks that invest local savings in local projects.
- Investigate “time banks” or “local currencies”, both of which encourage local spending rather than purchasing services from outside providers.
- Consider ‘community contracts’ where smaller scale, non-technical infrastructure projects are awarded to the community (such as dikes, access roads, or toilets). See UN-HABITAT’s 2007 publication Community Contracts for more information.

These are just a handful of the many ways that communities can start increasing the strength and resilience of their local economy, and in turn increase local multipliers.

Consider this...

Increasing local multipliers is not necessarily about promoting local purchasing to the point of economic isolation, as there are certainly benefits to be had from trade and economic flows between regions. In some cases, thinking about multipliers can lead to regional cooperation, as would be the case if several towns worked together to promote a high-multiplier industry in their area.

APPENDIX: EXAMPLE PROJECTS AND INDUSTRIES

The following chart shows *example* projects and industries that could potentially lead to higher or lower multipliers.

Caution: These are provided as examples only. Multipliers can vary greatly depending on the size of community, the diversity of its local businesses, the skills of its workforce, prevailing wages, the unemployment rate, and other factors. Multipliers should be used that are specific to your local area.

Example sector or project	Income Multiplier	Employment Multiplier
'Community Contracts' for physical infrastructure projects	H	H
Agriculture in an area with local food processing	H	H
Smallholder, labour intensive agricultural production	H	H
Labour intensive manufacturing	H	MH
Forestry in an area with local value-addition (such as milling or pulp and paper)	H	H
Tourism – locally owned, locally staffed, many inputs bought locally	H	H
Residential Construction	MH	MH
Communications infrastructure (internet, cell coverage) in areas with previously poor communications conditions	H	H
Transportation Infrastructure in areas where it was previously difficult to move goods and people	H	M
Education and healthcare in areas where this was previously underserved	H	M
Cooperatives for agricultural producers, fishers or craftspeople	H	M
Providing subsidized childcare so parents can work or go to school	H	M
Universities that generate research in collaboration with local businesses	MH	MH
Creative industries in higher income areas	M	M
Capital intensive manufacturing (such as auto work) where equipment is not produced locally	LM	M
Mass tourism with foreign owned resorts	LM	MH
Public Administration	LM	LM
Large scale agriculture of commodity export crops	L	M
Resource extraction by non-local companies and low levels of value addition	L	L
Financial, real estate, insurance	L	L

Low = L, Medium = M, High = H



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