

# Promoting inclusive and effective local economic development - A strategic planning approach

THE PROSPERITY AND WELFARE OF CITIES DEPEND ON THEIR ABILITY TO EXPLOIT SUSTAINABLE ECONOMIC DEVELOPMENT AND TO MINIMISE THE PROBLEMS ASSOCIATED WITH GLOBAL ECONOMIC INTEGRATION AND URBAN GROWTH. THIS MAKES STRATEGIC THINKING AND PLANNING FOR LOCAL ECONOMIC DEVELOPMENT (LED) CRUCIAL. WRITE UN-HABITAT HUMAN SETTLEMENTS OFFICER GULELAT KEBEDE AND WILLIAM TROUSDALE, PRESIDENT OF ECOPLAN INTERNATIONAL IN CANADA.

Sound economic development strategies constitute one of the key pillars of sustainable local development.

One reason for the recent gains in popularity of Local Economic Development is the fact that it is evolving past the traditional economic development model that focused almost exclusively on promotion, attracting investment and strengthening of physical infrastructure.

It is emerging as a new model that integrates economic, social and environmental objectives; a system where all types of community capital (human, social, cultural physical, economic, and natural) are included and strengthened. It is a process that integrates the soft infrastructure, such as local business and entrepreneurial support, leadership, partnerships, networks, capacity building and innovation with the hard infrastructure – buildings, communications and transportation. It takes into account the role of natural capital that supports economic activity – resources, ecosystem services (e.g., clean water, flood control from wetlands and forests) and other environmental values.

It places a stronger focus on the basic conditions required for development, the comparative advantages of an area, and the economic needs of local citizens and businesses. Key aspects include a thorough understanding of the economic fabric of a local area and the key forces for its improvement.

LED is now defined as a participatory process in which local people work together to stimulate local commercial activity,

resulting in a resilient and sustainable economy. It helps create jobs and improve the quality of life for everyone, including the poor and marginalized. Local economic development encourages the public, private and civil-society sectors to establish partnerships and collaboratively find local solutions to common economic problems.

Its strategies embrace *local values* for poverty reduction, basic human needs, local jobs, social and environmental integration; it utilizes *economic drivers* forged in value-added resource use, local skills training, retention of income, regional cooperation; and it considers *development* in the role of structural change, and the quality of development.

Traditional approaches that are not strategic generally rely on identifying problems and then choosing solutions that address those problems. When issues are used to elucidate ‘community objectives’ as a key step driving the new development, two essential outcomes result: more creative alternatives are developed that have a greater chance of consensus-based, broadly supported and workable solutions; and sustainable, systemic and long-lasting change is achieved, as opposed to quick fixes.

The engagement of stakeholders is essential to develop community objectives. A process centred on properly defined community objectives ensures that the activities taken under the aegis of LED are founded on community values.

For LED to succeed, there are a number of conditions which need to be met. Local commitment, especially that of the

political leadership is critical. Bringing in the right people and resources requires a local champion. Appropriate tools for information gathering, assessment and analysis should be carefully selected and calibrated to ensure that important aspects of the local economy are covered, and understood.

In the context of many developing countries, for example, the role of the informal economy is so crucial, its inclusion is a must. Like all planning exercises, strategic planning is worthless unless translated to implementation. The LED process is meant to be action oriented. Often there is ‘hanging-fruit’ to be reaped with less challenging or controversial interventions, and these could provide a stepping stone to move to the more complex and demanding ones as well as providing the necessary visible results to keep stakeholders and citizens engaged.

There are significant economic development opportunities to be gained by cutting red tape, removing barriers to business and the informal sector and creating accountable and transparent governance structure, and generally by addressing market and government failures.

Creating this business-enabling environment is as important for local entrepreneurs as it is for outside investors. The LED strategic planning from this perspective is both a framework and catalyst for action. Ultimately, the measure of success in LED revolves around focus, innovation, and implementation, and its impact on the lives of the citizens, including the poor and the marginalized.

Figure 1: ‘Objective’ Based vs. Traditional Approach to LED

