Local Economic Development & Small and Medium Sized Enterprises

Lessons Learned and Best Practices

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Presentation Outline

- What is Local Economic Development (LED)?
- Lessons From OECD Countries
- Local Economic Development: why bother?
- Methodology and Process
- How can SMEs Benefit?
- How can SMEs Contribute?
- Knowledge products on LED
Our Definition of Local Economic Development

- The **purpose** of LED is to **build up the economic capacity** of a local area to improve its economic future and the quality of life for all.

- It is a **process** by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation at the local level.
## OECD Lessons: Three Waves of Local Economic Development

<table>
<thead>
<tr>
<th>Wave</th>
<th>Aims</th>
<th>Tools</th>
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</thead>
<tbody>
<tr>
<td><strong>First Wave</strong> 1960s to early 1980s</td>
<td>Focus on the attraction of mobile <strong>manufacturing investment from outside the area</strong></td>
<td>Subsidised loans, direct firm payments, tax breaks, expensive and competitive low road industrial recruitment programs</td>
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<td><strong>Second Wave</strong> 1980s to mid- 1990s</td>
<td>Focus moved towards retaining and expanding existing business with direct firm payments</td>
<td>Using both direct firm payments, providing managed workspace, advice and training for SMEs, technical support and business start up support</td>
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<td><strong>Third Wave</strong> Late 1990s onwards</td>
<td>Focus shifting from direct firm support to <strong>improving the entire business environment</strong> for better business growth &amp; retention</td>
<td>Note adoption of third wave techniques has not eliminated either good or bad practice continuing to be used from 1st and 2nd waves</td>
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Lessons from OECD Countries: Third Wave Features

- **Strategic planning**, integrated & holistic
- Business friendly **red tape reduction**
- **Horizontal and vertical partnerships** to achieve economic competitiveness (Government layers)
- Public/private partnerships
- **City networks** that leverage effort
- **Grow your own jobs** rather than import jobs
- **Whole business environment counts**, not individual firms per se
Local Economic Development
Some Lessons from the OECD

- Towns and cities drive regional and national growth.
- Most towns and cities in the OECD have strategic plans with economic components or LED strategies.
- Most LED strategies involve public sector driven partnerships with active private sector involvement.
- Focus on first improving the local business enabling environment for all rather than firm level subsidies and foreign direct investment.
- Quality of place matters.
Strategically planned Local Economic Development: Why Bother?

- To respond to Mayors No 1 concern: **Unemployment**
- To enable local partnerships to **improve the local investment climate** to encourage job growth, sustainable development and poverty reduction
- To enable cities to act as drivers of local and regional growth and hence **contribute to national growth**
- To encourage local governments to **develop good governance through** strategic planning, transparent financial management and stakeholder inclusion
- To enable Local Governments and stakeholders to **identify and prioritize investment needs**
The LED Strategic Planning Methodology in 5 Stages*

Stage 1: Organizing the Effort
Stage 2: Local Economy Assessment
Stage 3: Strategy Making
Stage 4: Strategy Implementation
Stage 5: Strategy Review

* Full documentation and training materials on this methodology and many supporting training materials, tools, instruments and case studies are free and available on www.worldbank.org/urban/led
How can SME’s benefit from LED

- Through partnerships bringing the much needed business perspective to the LED agenda.
- By building trust between local government and the private sector
- By identifying programs and projects to support SME development
- By gains from enhanced knowledge and business networks
How Can SME’s Contribute to LED

- Through active partnerships and institutional engagement
- Through better understanding of the local economy and identification of collective business needs
- Act as business ambassadors and advisors
- Through contribution of human, physical and financial resources for project implementation
- Independent monitoring and evaluation
The global LED Knowledge Bank is small but it is growing:

- Methodology, 5 stages
- Program design and implementation
- Tools and instruments
- Case Studies, project and program ideas
- Training materials
- Links to many more LED related web sites

www.worldbank.org/urban/led
Thank You!
Reference Slides
VISION
Durres will be Albania’s principal hub for the country’s maritime, road and rail transportation; the center for massive and elite tourism, which offers unique history and archeology; major center of the trade with foreign countries; city of banks and insurance companies; a modern city where the community enjoys an advanced quality of life.

G.1
Full integration of the Municipality in the regional systems of the international transportation, favoring the development of the seaport as the gate of the Corridor 8.

G.2
Create a favorable climate and infrastructure for the development of elite and massive tourism.

G.3.
Support the existing businesses and encourage new ones to develop more successfully.

G.4
Create an environment that enables an integral and sustainable development of the municipality.

G.5
Re-evaluation, development and promotion of the cultural and archeological heritage, so they can become part of the cultural life of the city as well as of the world’s heritage.

G.6
Provide for an advanced quality of life and safety for all community members and visitors.
V. MATRIX (Vision, Goals, Objective, Programs and Projects)

Municipality of Podujeva

<table>
<thead>
<tr>
<th>Vision</th>
<th>Goals</th>
<th>Objectives</th>
<th>Programs</th>
<th>Projects</th>
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</thead>
<tbody>
<tr>
<td>Podujeva will become a municipality with a modern European orientation, with advantageous employment business environment, solid entrepreneurialism based on free private initiative, utilizing resources from agriculture, tourism, traditional products and services accompanied with an efficient local administration which provides incentives and active support for growth of small and medium enterprises, thereby improving the quality of life of PODUJEVA Population.</td>
<td>G1: A local administration that provides and delivers effective, professional and efficient business-friendly support services to the business community</td>
<td>G1:01: To develop a comprehensive ‘red tape’ reduction program for business development in city hall</td>
<td>G1:01:PG1: Local Business Enabling Environment Program</td>
<td>G1:01:PG1: p1: Undertake a positive entrepreneurship promotion campaign in local media by holding monthly meetings with local media on progress of LED action plan/staff/new announcements etc.</td>
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<td>G1:02: To enable the development of dynamic and transparent business associations</td>
<td>G1:02:PG1: Business Association Development Program</td>
<td>G1:02:PG1: p1: Identify sectorial and regional linkages for possible sector-specific business forum</td>
<td></td>
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<tr>
<td>G1:03: To institutionalise an active and collaborative stakeholder advisory group for LED strategy development and implementation</td>
<td>G1:03:PG1: Public-Private Stakeholder Partnership Development Program</td>
<td>G1:02:PG1: p2: Identify key actors and provide training and support facilities to the business association development program</td>
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<tr>
<td>G2: To promote the development of small and medium enterprises</td>
<td>G2:01: To initiate with partner agencies, an integrated sustainable business support and service delivery mechanism to facilitate SME growth</td>
<td>G1:03:PG1: p1: Initiate and deliver a training program in LED principles and partnership working for local government and stakeholder partnership board</td>
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<td>G2:01:PG1: Demand-driven SME Training Program</td>
<td>G1:03:PG1: p2: Initiate and deliver a training program for local government staff in project development and management skills (finance and governance etc.)</td>
<td>G2:01:PG1: p1: Identify, initiate and deliver a business training program (propriety business, administration, IT, accounting, management, and business finance etc.)</td>
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<tr>
<td>Soft Infrastructure Projects No.</td>
<td>Project Title</td>
<td>Total value (£)</td>
<td>Funding Sources (%)</td>
<td>Partners</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>-----------------</td>
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</tr>
<tr>
<td>1.</td>
<td>One Stop Shop</td>
<td>101,200</td>
<td>20% 20% 70%</td>
<td>LG</td>
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<tr>
<td>2.</td>
<td>Public relation and political support, lobbying and advocacy, membership perseverance and recruitment</td>
<td>8,850</td>
<td>- 35% 65%</td>
<td>Private Sector and LG</td>
</tr>
<tr>
<td>3.</td>
<td>Business Incubator</td>
<td>-</td>
<td>- - -</td>
<td>LG</td>
</tr>
<tr>
<td>4.</td>
<td>Project for staff training regarding the Urban development</td>
<td>14,700</td>
<td>20% - 80%</td>
<td>LG</td>
</tr>
<tr>
<td>5.</td>
<td>Development of the Geodesy network</td>
<td>?</td>
<td>40% - 60%</td>
<td>LG</td>
</tr>
<tr>
<td>6.</td>
<td>Training of 2-3 GIS engineers abroad</td>
<td>48,700</td>
<td>15% - 85%</td>
<td>LG</td>
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<tr>
<td>7.</td>
<td>Development of the Subterraneous Cadastre</td>
<td>70,000</td>
<td>20% - 80%</td>
<td>LG</td>
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<tr>
<td>8.</td>
<td>Professional assistance for project identification</td>
<td>6,200</td>
<td>60% - 40%</td>
<td>LG</td>
</tr>
<tr>
<td>9.</td>
<td>Municipal Staff training on information technology</td>
<td>1,780</td>
<td>40% - 60%</td>
<td>LG</td>
</tr>
<tr>
<td>10.</td>
<td>Local Action Planning</td>
<td>11,550</td>
<td>15% - 85%</td>
<td>LG</td>
</tr>
<tr>
<td>11.</td>
<td>Scholarship Project for deficitary cadre</td>
<td>202,500</td>
<td>20% 10% 70%</td>
<td>LG</td>
</tr>
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<td>12.</td>
<td>Legal regulations for Protection, utilization and management of the sources of drinking water sources</td>
<td>-</td>
<td>- - -</td>
<td>LG</td>
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## Project: 1
Office for Rapid Services to SMEs

**Brief description of the project:**
As a result of the lack of more frequent contacts between the municipality and the private sector, and the lack of coordination in the municipality level between these two most important pillars has created an avoidance and mis-coordination between the local government and business private sector. The local government should create a partnership and coordination with the private sector in order to avoid these faults and obstacles. That is why some activities should be undertaken to create a better atmosphere in the municipality.

One of these activities that would contribute to this aim is the office for rapid services for SME (small and medium enterprises). This office would be within the municipality and would coordinate work with all the directorates targeted in the services of private sector. It would also inform the private sector of all the obligations towards the municipality and the completion of these obligations in a short period.

**Expected results:**
- Improvement of business environment
- Increase of the number of businesses (easier approach to information)
- Creates a database for the local government
- Reduce business failures
- Create a partnership between the government and private sector
- Increase of contributions in the municipality budget from the private sector

**Targeted groups:**
- Existing businessmen – information gathering for the change of status, changes in the legislation, administrative procedures etc.
- New businessmen, that have no knowledge or time to register their business

**Potential participants:**
- Business associations and private sector
- Local government
- International organizations
- Diaspora

**Potential contributions to the project:**
- Project manager
- Project supporter
- Direct support (building, political support, expertise etc.)
- Financial support
- Technical assistance
- Financial support
- Information and opportunities

**Preconditions:**
- Approval of the project by the municipality
- Select the location
- Idea of the project

**Risk factors:**
- Dependency of the office from the local government
- If the centre does not put taxes for services, the quality of them will not be valued by the recipients
  “What is not paid for, it’s not worth for”

**Calculated expenses:**

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Salaries for the project implementation team</td>
<td>16,800.00</td>
</tr>
<tr>
<td>2. Equipment for project implementation</td>
<td>19,350.00</td>
</tr>
<tr>
<td>3. Renovation of the office</td>
<td>9,000.00</td>
</tr>
<tr>
<td>4. Office equipment and variable expenses</td>
<td>11,050.00</td>
</tr>
<tr>
<td>5. Staff salaries</td>
<td>4,800.00</td>
</tr>
<tr>
<td>6. Staff training</td>
<td>35,200.00</td>
</tr>
<tr>
<td>7. Marketing</td>
<td>6,000.00</td>
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**Implementation period:**
- Commencement within the year 2003

**Influence period:**
- After one year
- Depending from the results of the previous year in regarding information gathering.